



National Council of Applied Economic Research

SURVEY

of

INDIA'S EXPORT POTENTIAL

within

**THE INDIAN OCEAN BASIN
& NEARBY AREAS**

March 1970

INDONESIA

FOR LIMITED
DISTRIBUTION ONLY

SURVEY
of
INDIA'S EXPORT POTENTIAL
to
Twenty-six Selected Countries
in
THE INDIAN OCEAN BASIN
And Nearby Areas

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NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH
NEW DELHI

REGIONAL TRADE STUDY

SURVEY OF INDIA'S EXPORT PROSPECTS

IN

INDONESIA

National Council of Applied Economic Research

New Delhi

April 1970







PREFACE

In 1968, the National Council was requested to undertake a study of the export prospects for India in 26 selected countries in the Indian Ocean Basin and nearby areas. The study was to form part of a series of 'Export Potential Surveys' which are being performed by independent Indian research organizations for the Ministry of Foreign Trade. The series of studies is sponsored by the U.S. AID Mission to India Export Promotion Division.

The countries covered by this study are: Kenya, Uganda, Tanzania, Zambia, Ethiopia, Malagasy Republic, Libya, Iran, Iraq, Saudi Arabia, Kuwait, Muscat and Oman, Abu Dhabi, Dubai, Ceylon, Burma, Singapore, Malaysia, Indonesia, Thailand, Philippines, Hong Kong, Republic of Korea, Japan, Australia and New Zealand. This report on Indonesia is one of the series.

The main objective of the study was to assess the export prospects of India in the selected countries over the five year period (1969-74). We have studied the existing pattern and past trends of Indian exports to each country, assessed the trade prospects of India in each country and suggested measures for realising the export

prospects. The term 'export' has been used in the wider sense not only to include commodities but also services such as joint ventures and engineering or construction contracts.

Apart from the individual country reports, an overall report covering our general findings with respect to the entire region of 26 countries has also been prepared and submitted and is being published separately. It may be added that the data given in this report and findings based on this data relate to the period of the field visits of our teams. It is possible that certain changes might have taken place since the visits of our teams. This has to be kept in mind by the readers.

In this country study we have had full cooperation from various agencies in India as well as in Indonesia. My special thanks are due to the Ministry of Foreign Trade, Government of India, the Indian Embassy in Indonesia and the Government of Indonesia and a large number of businessmen and other people whom our team contacted during the field visits.

In the preparation of this report, I had full cooperation from my staff members who were directly responsible for conducting the entire study covering all the countries including the present one. Their names are

(iii)

given in Appendix 1. My special thanks are due to Shri R.S. Sharma, Project Director and Shri N.R. Gopala-Krishnan and Dr. R.G. Gidadhubli members of team for this country. I hope the report will be found useful by all those engaged in the export effort.

New Delhi
April, 1970

S. Bhoothalingam
Director-General

NOTES

1. The dollar (\$) referred to in this report is the U.S. dollar
2. Rp. relates to the Indonesian Rupiah
3. Rs. relates to Indian rupees.

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INTRODUCTION

Till 1965 under the old regime, Indonesia was considered as an economically stagnant country with little prospects of growth. With the emergence of what is called the 'New Order' in 1966, the present Government has been pursuing the policy of economic and political stabilization. During this period, considerable success has been achieved in this direction. In contrast to an increase in inflation of 2,500 per cent between December 1964 and June 1966, the level of inflation was gradually brought under control, it being 120 per cent in 1967, 85 per cent in 1968 and a bare 10 per cent in 1969. Similarly, there has been success in other economic fields through the measures of budget balancing, increased taxes and revenues, credit restrictions and new exchange regulations. In addition to these, through the adoption of a pragmatic foreign-investment policy, favourable climate for foreign investment in the country has been created. To give forward push to the domestic economy, the Government adopted in 1968 the First Five Year Plan with main emphasis on the rehabilitation of key sectors of the economy and fresh investments in selected priority sectors. Though the full details of the entire Plan have

so far not been worked out, some of the priority schemes have already been taken up and as the Plan proceeds and experience is gained, the programmes will get firmly formulated with necessary modifications. In the course of implementation of the Plan it is visualised that the import of capital goods and various raw materials will increase to a significant extent.

What share India can hope to get in the vast market of Indonesia and in what items has been the primary objective of this report. For this purpose, a team visited Indonesia in October 1968. But with the significant changes which have taken place since then, it was considered necessary to pay a revisit to Indonesia for fresh assessment. This was done in early March 1970. The report written on the basis of data collected during the first visit has been revised in the light of information and data collected during the second visit. The conclusions and assessments made in the report naturally relate to the time of these visits.

A major feature of the Indonesia foreign trade policy had been the existence of dual exchange rate (called B.E. and D.P. rates) as discussed in this report. However, the

Government of Indonesia announced in April 1970 new policies^{1/} affecting exports, imports and foreign currency rates. This has meant virtually the abolition of the dual exchange rate. This is mainly to encourage the exports, to ensure simplification of trade procedures and to facilitate imports. Though the impact of this new policy on the trade of the country is yet to be seen, it appears that the basic assessment of this market from India's viewpoint as made in this report will hold good and may even become more promising. However, in a fast changing economy of Indonesia, a continuous appraisal of the market potential becomes very essential.

^{1/} See Appendix 7

SELECTED ECONOMIC INDICATORS

Item	Unit	1960	1965	1966	1967	1968
1. Population	Million	94.2	106.9	109.6	112.3	115.1
2. Growth rate of population (compound 1960-67)	P.C./p.a.			2.6		
3. NNP	Millions U.S.\$					
At constant prices	"	8,707	9,688	9,978	10,455	-
4. Per capita NNP	U.S.\$					
At constant prices	"	92	92	92	94	-
5. Growth rate of NNP	P.C.					
6. Wholesale price index (Base=1960)		100.00	5,907	7,662.0	N.A.	-
7. Foreign Trade	Million U.S.\$					
i) Exports	"	574	718	678	658	691
ii) Imports	"	840	707	527	649	712
iii) Balance of Trade	"	(-)266	(+) 13	+ 151	+	21
8. Trade with India	"					
i) Exports to India	"	5.6	1.6	-	-	0.04
ii) Imports from India	"	7.8	3.7	7.0	8.0	12.0
iii) Balance of Trade with India	"	(-)2.2	(-)2.1	- 7.0	- 8.0	-11.96

(contd...)

(Contd.....)

Item	Unit	1960	1965	1966	1967	1968
iv) India's share in total exports	P.C.	0.67	0.23	-	-	Neg.
v) India's share in total imports	"	1.35	0.52	1.3	1.2	1.7
9. IMF Par value	(unit of national currency per U.S.\$)	Rps. 45	Rsp. 45.0	Rps.* 10.0	Rps.* 10.0	Rps.* 10.0

Area = 1,904,000 sq. Kms.

Capital = Djakarta

National currency = Rupiah

* New Rupiahs

Note: Data upto 1965 is from Data Book and from 1966 onwards is from Bank Indonesia Papers, Indonesia.

SUMMARY AND RECOMMENDATIONS

Highlights of the Economy

Despite its population of 115 million people, Indonesia has been comparatively a small market. Its total imports of \$ 921 million in 1968 were less than those of neighbouring countries such as Thailand, Malaysia, Philippines, or even Singapore. The ruinous economic policies of the Sukarno regime did nothing to raise the standard of living, which is roughly the level of India, and brought the economy to a state of near collapse.

Fortunately, the prospects for growth are now bright owing to a new Government which is tackling the country's problems constructively, to renew confidence abroad which is resulting in substantial foreign aid and investment, and to the underlying richness of the country's resources. As a market, therefore, it presents growth prospects in which India can hope to share. Net National Product is now around \$ 11,000 million and the country hopes to achieve a growth rate of around 5%.

When General Suharto and his Ampera Cabinet took over from the Sukarno regime in 1966, they inherited a

legacy of rampant inflation, stagnated production and tottering infrastructure.

The new Government has adopted a liberal and pragmatic economic policy in contrast to the isolationist policy of the previous regime. The Government has been encouraging private enterprise and has given greater autonomy to government enterprises. It strongly encourages foreign investment, of which \$ 342 million was committed between 1966 and the end of 1968. It has also sought and obtained foreign aid, which was to have reached \$ 500 million in 1969.

As a result, Indonesia now has a good business climate. The new Government is secure and puts forward bold and sometimes even unpopular measures to stabilise and rehabilitate the economy. The 1969 Budget showed a surplus of RPS 24,000 million on current account - a striking contrast with the deficit financing policies pursued under the Sukarno regime. Defence development, which used to account for about 30 per cent of the development budget, has been given a very low priority in the latest budget estimates - only 3 per cent. These

are indications of a determined stand to end the former inflationary deficit financing policies.

Foreign Trade Policies

Nowhere has the new Indonesian Government been more prominent in its design to stabilise the country's economy than in its attempt to straighten out its trading policies. The three important measures directly concerning imports into Indonesia taken were: (a) the provisions of the so-called Bonus Export System, (b) the ban on bank lending for financing imports except under certain circumstances, and (c) a floating exchange rate meant to let the Rupiah find its real market value. There was much improvement in the stability of the Rupiah since then.

Indonesia has an ambitious rehabilitation programme starting with better agriculture, particularly greater availability of rice, and a fuller use of existing industrial capacity. Both these need considerable imports of raw materials, intermediates, spare parts, components, etc. And the Indonesian Government is determined to get them all, besides a range of consumer goods, by putting to the best use the foreign exchange available to it

from the different sources. These sources are mainly are (a) export earning, (b) programme aid, and (c) project aid.

To increase the free foreign exchange available out of exports, substantial export incentives were provided through the Bonus Export System, under which the exporter was allowed to utilise or resell most of the foreign exchange he generated under a system that required, however, that the greater part be used for the most essential imports. This system was materially changed in 1967, so that the exporter may retain only a small proportion of the foreign exchange, the bulk being in effect auctioned off by the banks to importers generally. Surprisingly, the foreign trade policy of Indonesia involves very few restrictions. There is practically no ban on imports. Any quantity of goods can be imported in the country, the only regulatory device being the differential exchange rate and heavy import duties on non-essential goods. There is also no restriction on transfer of foreign exchange from Indonesia.

Import of consumer goods is still the heavier portion of total imports but this is found necessary to check inflation. Capital goods and industrial materials are now catching up as investment increase rehabilitate Indonesia's industries. It is visualised that within the next five years the latter type of imports will far exceed those of consumer goods.

Problems of Indian Exports

The main problem about Indian exports to Indonesia has been the lack of proper appreciation of the new changes which have taken place in this country since 1966. It may be stated that during the period it has achieved a fair degree of political and economic stability and it is set for fast progress in the years to come.

India has not made herself known as a producer of industrial raw materials and capital goods in this country.

With regard to the existing exports of Indian goods it may be observed that the absence of direct shipping service causes long delays in the delivery of goods. This particularly affects Indian exports in view of the high interest rates prevailing in Indonesia.

Indian exporters have so far largely confined their connections with a few commission agents of Indian origin. The role of major local import houses in introducing India's exports has so far not been fully appreciated.

Other problems relate to poor packing, non-conformity to samples, delay in payment of commissions, uncompetitive prices of certain products, inability to supply goods according to agreed terms, frequent request for extension of letters of credit, etc. The Indian Embassy does not have adequate staff to cope with the increased work in the trade field.

Prospects

With a population of 116 million and vast untapped natural resources, Indonesia is potentially a large market in South East Asia. With the current liberal import policy, massive development plan underway and the determined effort of the Government to push the country's economy forward, the imports, particularly of industrial raw materials and capital goods, are going to rise from \$ 610 million in 1969-70 to \$ 1,294 million in 1973-74. Though some part of the imports may be financed by individual country loans, there will be enough scope for India to export a wide range of industrial machinery, intermediate products and raw materials. This is the right time to cultivate this market and if adequate steps are taken by the concerned parties in India, a strong base can be created for increased exports in the years to come.

RECOMMENDATIONSA. Commodity

1. It is recommended that the following products be stressed in export promotion to Indonesia.

1. Textiles - Yarn and fabrics
2. Jute - sacking bags, rope and twine
3. Iron and steel products
4. Electrical and non-electrical machinery
5. Railway equipment - locomotives, rolling stocks, rails, signalling equipment, etc.
6. Bicycles and parts
7. Printing and writing paper
8. Commercial vehicles and parts

2. Diesel generating sets from 20 to 200 KVA should be pushed in view of their popularity in the many areas where there is no central electricity.

3. Particular efforts should be made to establish Indian pumps and diesel engines in the Indonesian market.

4. India should follow with particular care possible opportunities to tender for railway equipment.

5. India should also follow carefully prospective mineral developments in Indonesia to determine prospects of selling mining and ancillary transport equipment.

B. General

1. In view of the continuing changes in Indonesian economic and foreign trade policy, the growth potential of the Indonesian economy, and the efforts of other countries to establish strong positions there in the current transitional stage, it is vital that the Indian Embassy at Djakarta be adequately strengthened.

Among the priority duties that should be assigned are the following:

(a) To maintain a constant review of the relative position of Indian exports to compete in Indonesia.

(b) To make proposals as to how Indian exporters can compete more effectively for purchases made with foreign exchange not tied to country aid programmes.

(c) To discuss with Indonesian authorities any problems that place Indian exporters at a relative disadvantage and attempt to secure any modifications of regulations necessary or helpful to ameliorate such disadvantage.

(d) To maintain a careful watch - well in advance of tender announcements - for opportunities for India to compete in important tenders for railroad and other equipment, particularly any items that may be financed under international loans.

(e) To make recommendations as to how future Indian credits to Indonesia could be made in such a way as to (1) contribute to establishing long term markets for India in Indonesia and (2) avoid as much as possible the sale under credit of goods that otherwise might be saleable through other Indonesian foreign exchange resources.

(f) To maintain a watch for joint venture opportunities that might be of particular interest for Indonesian - Indian collaboration and contribute to long term Indian exports.

2. Indian exporters with products that can be regularly supplied to Indonesia should consider the possibility of utilizing bonded warehouse facilities in Indonesia to improve their competitive position.

3. Indian exporters should pay particular attention to the need to establish effective sales agencies in Indonesia, giving particular attention to the strong and knowledgeable "Chinese" import houses. Adequate support should be provided for product promotion and servicing.
4. Continued urgent attention should be given to establishing regular shipping service between India and Indonesia and at achieving freight rates that will make us competitive with Japan.
5. India must improve the quality and quantity of its sales literature.
6. India should consider taking part in the Djakarta trade fair regularly.
7. Extreme care needs to be taken in packaging with particular recognition of the special problems of packaging for a hot, humid climate.
8. Indian procedures need strengthening to provide better quality control and assure shipment in accordance with samples.
9. India should arrange for the visit of leading Indonesian importers and concerned government officials to main industrial centres in India.

PART ONE

ECONOMY

Chapter 1

ECONOMY

Land and People

Indonesia is the largest archipelago in the world. It consists of five main islands and 30 smaller archipelagoes totalling 13,667 islands. Of these only 992 islands are inhabited and only 6,044 have names.

Indonesia extends from 6° north latitude to 11° south latitude and from 95° to 141° east longitude. It covers a land area of 700,000 sq. miles (1.9 million sq. km) and a sea area of 1.3 million sq. miles (3.3 million sq. km). Straddling the equator and surrounded by two oceans, Indonesia forms a link between two continents, Australia and Asia. This link has not apparently been anything more than a geographical fact. The trade of Indonesia, for instance, has developed athwart, with Singapore as an important trading centre for Indonesia's export and import.

Indonesia's 13,000 and odd islands can be divided into four groups:

1. The Great Sunda Islands: Java and Madura, Sumatra, Kalimantan (Borneo minus East Malaysia) and Sulawesi -

70.7 per cent of the total land area.

2. The lesser Sunda Islands of Nusa Tenggara:

Bali, Lombok, Sumbaw, a Sumba, Flores, Alor, Savu, Roti and Timor - 3.86 per cent of total land area.

3. The Maluku islands: Malmahera, Ternate, Tidore, Moti, Makia, Marotai, Batjan, Obi, Seram, Ambon, Banda, Kai, Aru, Tanimbar, Babar and Weter - 3.81 per cent of total land area.

4. West Irian and Surrounding islands: Waigeo, Biak, Misool, Japen - 22.16 per cent of total land area.

This spread of Indonesia has several economic consequences. The outlying areas are comparatively neglected; resources outlay for development does not go to them in their due proportion. Although potentially rich, many of these areas are at the moment poorer compared to some island groups like Java and Madura. In regard to rice and other essential items, the outlying regions follow a policy of keeping to themselves what they produce with the result that the Djakarta Government often finds it difficult to enforce its procurement scheme. The fiscal relation between the Central Government and the

regional authorities is not welldefined. The latter impose several unauthorised levies/duties on goods entering their regions from outside and these add to their cost.

Inter-island communication wholly depends upon coastal boats and the cost of transport is high. For example, while in areas like Sulawesi rice per kilogram is said to be sold at Rupiahs 7, the Djakarta price is anything above Rps. 50. There is no stability in the prices of many rural products and the urban prices in consequence are also very much out of control.

Taking all these factors together, it is evident that Indonesia is not a single market for any major commodity. Nevertheless, the important market is that of Java and Sumatra, where there is the greatest concentration of people and industry.

Climate:

There are only two seasons - the dry and the wet. The first generally extends from May to October and the

second from November to April. The monsoon, however, does not affect Indonesia uniformly. Some areas have dry season lasting 5 to 6 months while others have no dry season. Although strictly within the 'monsoon Asia', Indonesia does need irrigation to supplement its monsoon drenching for several of its crops. This is particularly true in the main productive islands of Java and Sumatra. The ADB has observed that irrigation in Java strikingly increases the yield not only of the dry season crops but also of the rainy season crops when it can supplement erratic rainfall. On irrigated paddy fields the yield on average is 3.2 to 4.0 tonnes per hectare of paddy in contrast to the yield of 1.6 to 2.0 tons per hectare of rainfed field.

Population:

The total population of Indonesia in 1968 was 115.1 million. It is expected to reach 129.0 million in 1973.

Indonesia is facing a number of serious economic and social problems on account of population pressure. There has been an unestimated but visible increase in rural unemployment and under-employment.

Migration to the towns is on the increase. Unemployment in the towns is also increasing.

This demographic base, however, has to be taken into account when considering the import needs of Indonesia. A population of 115 million is a potential market for several items. Although the low per capita income (estimated at US \$ 81) is a constraint, it can be assumed that several of the commodities which a country like India, for instance, is interested in exporting to Indonesia are of an essential nature needed by even a low income population. For instance, taking pharmaceuticals and medicines alone, the ECAFE estimates the per capita medicine expenditure in developing countries at US \$2. This is supposed to be a very conservative estimate; even so, this indicates a market of US \$ 230 million in Indonesia.

The distribution of this population in Indonesia has several significant features. The average density is low - about 60 persons per sq.km. in 1968. But an

overwhelming proportion of the population is concentrated on the islands of Java and Madura. These two islands have only 7 per cent of the total area but they sustain 65 per cent of the total population. The density here is estimated to have been 563 persons per sq. km. in 1968. In contrast, Sumatra is three and a half times as large as Java but it has only 16 per cent of the population. Sulawesi, Kalimantan and other islands have still thinner population spread.

The population concentration in Java and Madura has led the Indonesian Government to be constantly thinking of shifting at least a part of the surplus to the other islands. Several attempts in this direction have been made in the past but with no mentionable success. Because of the concentration of population and the attendant problems, a good part of the development expenditure is on these two islands of which the outlying areas are critical.

Economically Active Population: According to a recent estimate the working population is understood to be 40.2 million in 1968. Indonesia is concentrating on technical education and the like to improve the quality of its active population. Schooling also is popular. Yet the Dutch colonial administration in the past has left a visible gap in the educational standard which remains to be filled up.

About 66 per cent of the total active population is engaged in agriculture. This percentage is supposed to be gradually coming down, with the other sectors of the economy absorbing the surplus as they develop. Even so, an overwhelming proportion remains engaged in agricultural pursuits.

There are no reliable statistics of technical personnel available in the country, but the impression is that the supply is inadequate. The standard of the available technical skill is also not equal to needs.

In the context, the maintenance and operation of very sophisticated machinery and equipment need foreign personnel. There is a preference for import of machinery and equipment which can be handled by local people. In other words what is more popular in Indonesia at present is medium technology such as that available from a country like India in industries such as rice milling, textiles, sugar, cement etc.

In any type of technology that is used in Indonesia, its employment potential will be an important criterion. Indonesia's recent investment regulations make this point clear. Not only is preference indicated for foreign ventures collaborating with the local entrepreneurs but there are specific provisions for a fair share of workers being recruited locally including the skilled.

Indian population in Indonesia

There is no reliable recent estimate of Indians in Indonesia. But it is presumed that there are about 15,000 Indians, largely in coastal towns of Djakarta, Surabaya and Medan.

Most of these Indians are of small means and are engaged in petty trade. Only a few in Djakarta are influential enough perhaps to push the sale of Indian commodities.

In the worst days of India-Indonesia relations (1965) Indian traders were put more or less under surveillance. Although this was never exercised strictly, the restrictions were withdrawn only in the beginning of 1969.

Recent immigration and emigration of Indians from Indonesia are not known. Immigration is strictly controlled by the Directorate General of Immigration.

In the early fifties, 3,000 Indians on an average were entering Indonesia; this came down sharply to about 1,000 annually by 1965. By the same year over 2,000 were leaving Indonesia on an average.

Recent Developments

Since its independence in 1945, Indonesia's economy has passed through two general stages. The first stage was between 1950 and 1968. This was the time when President Sukarno began taking the country over a series

of economic misadventures. It was a period of drift when Cabinets changed so frequently that economic planning and administration, for what there was of them, lacked direction and, as a result, accomplished little.

When President Sukarno proclaimed his "guided democracy" and started ruling the country, the second phase began and the economic situation deteriorated rapidly. His idea of economic development was based on a government-led investment programme. The Government departments and the several corporations which he created with government support were assigned functions far more than what they could handle with efficiency, order or promptitude. For investment funds, he looked to the large foreign-owned and Chinese-owned plantations, factories and trading companies. He took over many of these companies between 1957 and 1959 and converted them into State enterprises. Apparently, neither he nor those who advised him understood how to run these enterprises as commercial units. And the Indonesian Government faced a near breakdown with the departure of the Dutch technical personnel, on confiscation of the large Dutch

enterprises and properties. Prestige projects were taken up with little or no regard for their economic viability and several of them had to be abandoned half way through either for want of funds or on account of technical difficulties. In other spheres, wrong direction or lack of direction sent the country's economy to a rapid downward spiral. Revenue was raised almost solely by deficit financing and this pushed the country still further down. Where one set of controls failed, more were added and still more economic regimentation followed. Import and export were severely hamstrung by licensing, quotas, regulations and a medley of departmental rules.

When General Suharto and his Ampera Cabinet took over in 1966, they inherited a legacy of rampant inflation, stagnated production and tottering infrastructure. However, the new government was prompt enough to take stock of the situation and start a series of reforms, giving priority to the control of inflation, rehabilitation of the infrastructure, increasing the exports, freeing the trade and generally providing for the basic requirements of life, especially food, clothing and shelter.

Between 1966 and 1969 the Suharto Government has tried to reshape the economic policy with emphasis on private enterprise and market mechanism in the place of State control and administrative regimentation. The new government's first formal policy declaration came in MPRS Decision XXIII of July 5, 1966. Since then, several Presidential announcements have been made tackling one economic problem after another, defining the government's role in industry, agriculture, trade, etc. These policy decisions have come to mean a positive but limited role for the government in the rehabilitation of the economy; encouragement of private enterprise; greater autonomy to the government enterprises; freer international trade; invitation to external investment and joint enterprises and a general change in the government outlook from being inward looking to expansionism and purposeful direction.

As a result, Indonesia has a good business climate now. The Suharto Government is secure and puts forward bold and, sometimes even unpopular measures to stabilise

and rehabilitate the economy. The 1969 Budget showed a surplus of RPS 24,000 million on current account- a striking contrast with the deficit financing policies pursued under the Sukarno regime. Defence development which used to account for about 30 per cent of the development budget was given a very low priority in the budget estimates - only 3 per cent. There are indications of a determined stand to set the economy back from the former inflationary deficit financing policies.

But nowhere else has the new Indonesian Government been more prominent in its design to stabilise the country's economy than in its attempt to straighten out its trading policies. The three important measures directly concerning imports into Indonesia had been (a) the provisions of the B.E. System, (b) the ban on bank lending for financing imports except under certain circumstances, and (c) a floating exchange rate meant to let the Rupiah find its real market value.

Resources

Before the impact of the new policy is discussed, a brief account of the important resources and the level of their exploitation is given below:

Agriculture

Agriculture accounts for over 50 per cent of the national income; over 2/3rd of the country's total export is of agricultural products. About 13 per cent of the total land area is under cultivation and three-fifths of the total cultivated land is in Java.

There are two distinct types of farming in Indonesia i.e. (a) estate production and (b) small holder production.

The percentage share of the small holder in some of the important export crops is as follows:

				<u>Percent</u>
Rubber	...	...	...	67
Tea	...	...	...	47
Coconuts (copra)	...	...	...	98
Palm Oil	...	...	...	0
Sugarcane	...	...	...	6
Spices	...	...	...	100

Source: Asian Development Bank Survey.

Small holders' exports form about 40 per cent of the total exports.

The small holder production of export crops is highly elastic to price; there is no uniformity in quality. Small holder farming suffers from all the evils of subsistence farming and the Government's effort to rehabilitate the small holder so as to increase their production is not expected to yield any immediate result.

Less than 10 per cent of the cultivated area is in estates. Estate production is almost exclusively for exports whereas the small holder production is both for export and domestic consumption. Since the confiscation of the Dutch properties, the estates have been in Government ownership. Recently, however, some of the estates have been returned to their original owners. Negotiations are continuing for the return of the rest or, alternatively, to pay compensation. Other private estates are mainly owned by Indonesians. Estate administration in public sector has been poor but is considered to be improving recently.

The production trend of the more important crops are given below:

Rubber: Rubber is the predominant agricultural export commodity. The annual production has averaged around 650 thousand tonnes.

PRODUCTION OF EXPORTS CROPS

('000 tonnes)

Year	'Rubber	'Copra	'Coffee	'Tea	'Toba- 'cco	<u>Oil-palm</u>	
						'Oil	'Kernels
1957	738	1113	75	70	77	160	40
1958	694	1,085	67	72	67	148	35
1959	703	1,275	84	76	59	138	33
1960	619	1,248	96	84	78	141	33
1961	670	1,369	108	80	86	146	34
1962	657	1,394	112	85	81	142	33
1963	615	-	146	78	86*	148	33
1964	701	-	88	88	55*	161	34
1965	716*	-	111	89	81*	157	33
1966	680*	-	97*	-	13	177*	32*

* According to reliable source

Source: Indonesia Facts and Figures.

The export earning from rubber has been around 38 per cent of the total exports. The proceeds have declined in 1967, mainly on account of the low world market prices.

Generally the rubber plantations are overaged. Replanting needs finance and supervisory skill. With replantation, fertilizer use will have to be increased. This will require more credit which, as in other crops, is difficult to obtain. Many of the estates are even now in debt. Further assistance will be needed to modernize and expand the factories.

Copra: Copra is by far a small holder crop. Coconut oil is primarily for domestic consumption. Copra export is either in the form of dry meat or as copra cake. Exports have declined since 1952 mainly due to Government controls. Coconut groves need considerable replanting but the small holder finds it difficult to get the necessary finance.

The main producing regions are Moluccas, North Sumatra and the Raiu Archipelago. Exports have come to suffer also because of inadequate shipping from these outlying areas.

Tea: Indonesia produces both black and green tea.

Only black tea is exported; this is mainly estate production.

Over the years the black tea production i.e, the export variety has been more or less stagnant. Export of tea has been declining. Export earnings also have come down from U.S. 27.7 million in 1960 to U.S.\$16.9 million in 1965. In 1966 and 1967 there is reported to have been a further decrease. One reason for the decrease is given to be that the quality exported is not 'fine' plucked but 'rough' and 'medium' plucked also.

Most of the tea gardens and tea factories are old and need replacement. Fertilizer use is limited. Replanting has not been systematic. Replacement of machinery also has been limited to a few estates.

Coffee: Both coffee production and export have been looking up. Production has increased from about 96,200 tonnes in 1960 to 111,200 tonnes in 1965. Export earning in the same period has gone up from U.S. \$ 13.8 million to U.S. \$ 31.6 million.

Indonesia is facing the problem of low quality in coffee also probably because about 4/5th of the crop is with the small holders.

Indonesia is a member of the International Coffee Organisation. The quota for Indonesia for 1967-68 coffee year was about 67 million tonnes but has apparently exported more than this quota, mainly to non-quota holders.

Tobacco: East Sumatra's 'Delhi' tobacco is reputed to be one of the finest varieties of cigar leaves. Java tobacco is of inferior grade produced largely by small holders. Estate production has been stagnant since their confiscation in early fifties. Poor transportation is another cause for decline in tobacco export.

Pepper: Among spices, black and white pepper account for the largest share in production and export. Production is estimated to have increased from 12,000 tonnes in 1960 to 49,000 tonnes in 1967. Exports are estimated to have gone up from 13,000 tonnes to 22,000 tonnes in the same period. Pepper cultivation is entirely with the small holder. Assembling and grading of pepper, specially from the distant areas, raises several problems.

The other spices produced include cinnamon, nutmeg and cloves. Cloves are used in local cigarettes and pharmaceuticals. Their production is insufficient and some quantity is imported.

Food Crops: There are mainly four food crops in Indonesia - rice, cassava, maize and sweet potatoes. All these four are mainly for local consumption although cassava and maize have had some exports at intervals in the past. (See next table).

Food production in recent years is estimated to have been keeping abreast of population growth. Rice imports have been declining in consequence. In the early sixties imports on average were 1 million tons annually. This has come down to 600/400 thousand tons in recent years. In 1967, the imports touched the lowest point of 300,000 tons.

FOOD CROP PRODUCTION

('000 Tonnes)

Year	Rice*	Cassava	Maize	Sweet Potatoes
1957	7,632	10,118	1,860	2,653
1958	7,979	11,278	2,634	3,013
1959	8,294	12,697	2,092	2,877
1960	8,767	11,376	2,460	2,670
1961	8,268	11,190	2,283	2,464
1962	8,898	11,386	3,243	3,680
1963	7,933	11,575	2,359	3,015
1964	8,452	11,746	3,650	3,695
1965	8,550**	13,200**	2,400**	2,800**

Source: Indonesia Facts and Figures.

* "Clean" Rice computed by taking 52% of paddy production.

** According to reliable sources.

Low rice yield per hectare and the declining rate are the main problems of peasant cultivation in Indonesia. This is particularly true in Java, the main rice producing area. Irrigation has been stagnant due to negligence. Fertilizer use is limited, the farmer seldom using anything near the recommended dose because of the high fertilizer price put against the relatively low procurement price.

Fisheries:

Indonesia's territorial waters are about 5 million sq. kms. and one estimate of the potential production is 4.5 million tons of fish per year. However, fishing activity is poorly developed and the marine fish landings in 1966 were estimated to be only about 720,000 tons.

Indonesia has inland fishery resources also especially in Kalimantan, Java, Madura and Sumatra. 90 per cent of the total inland fisheries production are from these areas, Kalimantan having the highest percentage of 43. Inland fisheries production in 1966 is estimated to have been 480,000 tons.

The number of fishing boats in 1966 was about 240,000. Almost the entire fishing craft are sailing boats. About 10 per cent alone of the total is motorized. Fishing operations are therefore limited mainly to coastal waters.

One important problem that Indonesia faces today is the absence of facilities for marketing and distribution of the landed fish. There are only two or three cold storages in the whole of Indonesia and the transporting and processing facilities are primitive. Capital investment in fishing is meagre and the restrictions on the import of fishing gear have added to the problem.

Negotiations by the new Government with foreign companies for concessions for large scale and modern type fishing are in progress; the most important parties are from Japan.

Forests :

Indonesia has an estimated 120 million hectares of timber land of which only about 7 per cent has been explored. Approximately 40 million hectares are estimated to be relatively accessible.

Logging is the main forest industry, now confined largely to Java. The methods of logging are relatively unsophisticated.

Indonesian forests have both hard and soft woods. Forest are largely under State ownership, but logging concessions can and are being negotiated.

Exports of timber have been poor relative to the potential. The new Indonesian Government has started negotiations with several parties for forest exploitation and for processing the forest products in Indonesia itself. Saw milling, production of chipboard, plywood, pulp and paper are the suggested fields for joint ventures.

Minerals:

The minerals of Indonesia are considered to be the most important growth point with substantial investment in and production of petroleum, tin and bauxite.

Petroleum and tin are among the most important export items accounting for about one third of the total exports of Indonesia as seen in the table below:

MINERAL PRODUCTION

('000 tonnes)

Year	Crude Petro- leum	Naturals (in mill- ion cubic metres)	Bauxite	Tin Ore*	Coal	Nickel
1957	15,559	2,798	241	28	717	-
1958	16,310	2,693	344	24	603	-
1959	18,721	1,877	387	22	638	7
1960	20,606	3,137	396	23	658	35
1961	21,287	3,314	420	19	549	14
1962	22,747	3,491	461	17	472	10
1963	22,231	3,610	493	13	591	46
1964	26,851	3,524	648	17	448	48
1965	27,955	3,156**	688	15	271	103
1966	26,347**	2,066**	701**	13**	320**	-
1967	-	-	-	14**	-	171**
1967	-	-	-	-	-	124**

(first six months)

Source: Indonesia Facts and Figures.

* Tin in concentrates.

** According to reliable sources.

Petroleum:

Indonesia continues to dominate the crude oil output in the Asian region despite even the more rapid recent development in India itself. Indonesia's total yield of about 28 million tonnes in 1965 represented about 57 per cent of the region's estimated gross output as

against a possible 21.9 per cent in China, 9.3 per cent in Brunei and 7.2 per cent in India. Indonesia increased its petroleum output by 1965 mainly as a result of the increased production by Caltex and Stanvac, the two largest operating oil companies in the country.

In 1966, the Government announced a re-organisation of the State oil enterprises. Exploration, production, transportation and refining of crude oil were vested in the State organisation called Permina. Marketing, production and distribution were to be the sole responsibility of another State organisation called Pertamina.

Indonesia has the second largest refining industry in the region, but no significant expansion is apparently scheduled for the immediate future.

Natural gas reserves, based on crude reserve estimates are 150,000 million cubic metres. Practically all the gas is produced with crude oil and a major part of the gas is flared for want of commercial outlet. A part of the gas is used in the production of ammonia which is the only petro-chemical now manufactured in the country.

The Government has now in hand a scheme for the establishment of a petro-chemical centre in Gresik, Surabaya to produce, in the first stage, nitrogenous fertilizers and, in the second stage, synthetic resins of the urea formaldehyde type. The Government has also a plan to set up a petro-chemical plant near Palembang.

Tin:

The production level of tin in Indonesia was 33,000 tonnes in 1955; the present level is about 13,000 tonnes. There are several reasons for this drastic decline in output. The ore content has declined and it is not profitable to exploit lower grade ore. Since the nationalisation of the Indonesian mines, tin mining has been in the hands of three State enterprises and public management of the mines has been deficient. Indonesia would be able to increase its production to at least 25,000 tonnes per year if the necessary foreign financing to rehabilitate the industry is found.

Bauxite and Coal:

These are mined on a substantial scale although the latter has declined compared to the early sixties.

Small quantities of gold, silver, diamond, manganese, phosphate rock and sulphur are also produced.

Prospects:

Indonesia's present mineral production comes largely from deposits which had been discovered several years ago. They are located in relatively better known areas and their exploitable bulk occurs at or immediately below the surface. Even so, several of these known mineral prospects had never been adequately examined and those occurrences, investigated some years ago, still warrant re-evaluation.

Like many other industries in the country, the Indonesian mineral industry also has suffered considerably from World War II and the political and economic instability afterwards. Lack of capital has hampered rehabilitation and expansion of existing mines. Large scale geological mapping and mineral exploration had also to be stopped for want of funds.

So far it has only been established that Indonesia has vast resources of oil, tin, bauxite, nickel, low grade coal, iron, etc. But it is possible that the

country has more diverse mineral wealth than is known. Areas in Sulawesi, Kalimantan and West Irian and many parts of Sumátra are supposed to be minerally rich. Relative remoteness, un-inhabitable terrain and heavy forest cover were the main obstacles in carrying out surveys in the past.

But the present Government of Indonesia has recognised the importance of the country's mineral wealth and has, therefore, invited foreign capital and know-how in developing these natural resources. Investment in mining in Indonesia has been made possible for foreign companies on the basis of 'contract of work'. A company obtaining such a contract from the Government is authorised to execute all stages of development pertaining to the mineral deposit concerned; the development is for and on behalf of the Government.

Any company successful in obtaining such 'contract of work' will have the exclusive right to carry out exploration in the areas stipulated in the agreement. In case the exploration leads to the discovery of any commercially exploitable mineral deposit, the

exclusive contract to develop the deposit will be granted to the company following negotiations with the Government on the details of exploitation, the profit sharing basis, the extent of the market etc. The most fruitful 'contract work' has been in petroleum production and export.

There is estimated to have been an increase of 11 per cent in oil output in 1968 compared to 1967. There has also been a significant increase of investment expenditure by the foreign oil companies. Several new concessions have been granted during 1967 and 1968 and negotiations with others are still in progress.

Most of the enquiries now are for new exploration largely in offshore areas. They may not start contributing to output and export before 1972-75 but they may be fruitful when other fields now under full exploitation begin to slow down.

It is assumed that during the next 5 to 6 years, the full exploitation of the present concessions may lead to a growth in this sector of not less than 11 to 15 per cent per annum.

Investment in mining projects is the largest among recent foreign investments. As of July 1968, the total amount is \$ 158.50 million out of a total of \$ 285.10 million or 55 per cent.

This investment is understood to cover three large contracts. 'Free Sulphur Company' is investing \$ 75 million for exploration and mining of copper in West Irian. 'International Nickel' provides another \$ 75 million for mining nickel in the Surabaya region. 'Alcon' proposed an investment of \$ 120 million for exploitation and processing of bauxite in North Sumatra.

Industries:

Industrial development in Indonesia is modest. Its contribution to the national product is 12 per cent.

Industries operating in Indonesia are mainly of two types: (a) those processing primary products for domestic consumption or export, and (b) those producing consumer goods whether with domestic or imported raw materials. Industries in the first category include

refining of petroleum, rice and sugar milling and processing, to some degree, the various estate products such as rubber, tea, coconut and palm seeds, and sisal and kapok. Those in the second category include manufactures of bicycle and automobile tubes, rubber-shoes, radio batteries, soap, margarine, cigarettes, bulbs, textiles, glass and paper.

The main processing industries are rice mills, sugar mills, oil mills and textile mills. All four are working much below capacity. In the textile sector there is a pronounced imbalance between the spinning and the weaving parts, the spinning capacity being far behind. There are over fifty-five sugar mills and some of them are modern and efficient. But their production has declined from about 840,000 tons in 1965 to about 650,000 tons in 1967 and perhaps still lower in 1968. Sugarcane production has also declined and the sugar mills suffer from lack of adequate infrastructure especially transport.

The engineering industry, set up originally to serve the estates and the sugar industry has since expanded

with new production lines such as road rollers, diesel engines, pumps, etc. These items however are not well-planned and need reorganization. There are several small and medium sized engineering shops in almost all major cities. Official estimate of their total capacity is 55,000 tons per annum.

The chemical and allied industries have come about more recently and, by international standards, they are small and do not have the advantages of economies of scale. There are four paper and newsprint factories working on rice straw as raw material. Their capacities are much below optimum, ranging between ten and twenty-five tons per day.

Indonesia's cement factory at Gresik is efficient and modern and has an annual capacity of 375,000 tons. The second unit at Padang is older and suffers from lack of foreign exchange for modernization. Its capacity is 120,000 tons.

The urea plant at Palembang has a rated capacity of 100,000 tons. The largest glass factory has a

capacity of 14,000 tons per annum but its output in 1966 was 3,000 tons. There are a few other private glass factories with low capacities of 1,000 - 2,000 tons.

Several of the industrial units were nationalized on the departure of the Dutch and were being managed as State enterprises. Their scope has now been considerably reduced and the Government encourages their sale to private parties or their conversion into joint ventures.

The main problems faced by industry are:

- a) Insufficient working capital;
- b) Lack of spare parts and raw materials;
- c) Low rate capacity utilisation;
- d) The burden of excess employees; and
- e) The industries' inability to compete with imported goods.

These problems are being tackled by the Indonesian Government by providing substantial foreign exchange for importing spare parts and raw materials and also by making use of international aid for the import of essential auxiliary items through the B.E. system. The industry's inability to compete with imported goods is being met by

raising import duties on items where there is local production and also by exploring avenues of cost reduction.

In the new Five Year Plan 1969-73, a schedule of priority has been given to the development of :

- a) Industries supporting the agricultural sector;
- b) Industries earning and saving foreign exchange;
- c) Industries processing more domestic materials than imported materials;
- d) Industries using relatively more manpower than capital; and
- e) Industries which help regional development.

The most successful effort thus far of the Indonesian Government has, however, been in inviting foreign participation in the exploitation of the resources of the country. The Government has offered a series of incentives to increase foreign capital participation.^{1/} These have had their desired effect and the number of new investments and collaboration arrangements have been very encouraging. Over 67 projects of foreign investment covering almost every field of enterprise had been approved by the new Government within one year of their assumption of office, 1966-67.

^{1/} For details, see Economic Data for Investors in Indonesia, Central Bank of Indonesia, May 1968.

In the quarter, January - March 1968, another 16 major proposals had also been approved.

The US private capital investment is by far the most important now among foreign investments in the country. The US investment is mainly interested in crude oil, forestry, mining, fisheries plantations and banking. Japan's investment also is heavy particularly in the exploitation of the off-shore oil possibilities, fisheries and forests.

Besides throwing open almost every sector of industry for new investment/joint ventures, the Indonesian Government has also listed what are called the 'retarded' industries. These are units started in the earlier regime without perhaps much consideration of their economic viability. The present Government invites foreign parties to set these units back to normal production and for this the Government is offering several incentives.

Power Generation

The total power generation capacity in Indonesia is 651,000 kilowatt (as in June, 1968). The region-wise

distribution of power generation units and their capacity is given in table 2.

Except in the island of Java, no transmission of very high voltage exists. The highest transmission voltage in use is 150 kW. in East-west Java. The rest of transmission voltage is below 70 kW.

It is expected that from 1969 to 1972 a number of new power projects will be coming up. Some of the projects to be completed by 1972, together with their location, type and capacity are given in table 3.

The industrial consumption of electricity in 1962 was 246,479 thousand KWh. Out of this the industries' own generation was 142,809 thousand kWh.i.e. over 59 per cent of consumption. In 1962 the consumption was 314,258 thousand kWh.out of which 235,934 thousand kWh. was generated privately,i.e., more than 75 per cent of the industries' total consumption. Electricity privately generated is with small generators. Their total estimated capacity is 200,000 kW.

Transport:

The best developed road system is in Java. There are two east-west trunk roads along the north and south coasts of the island inter-connected by five important north-south roads. They serve the estate and other agricultural regions of Java. The roads are however in serious disrepair.

In Sumatra the road systems are confined to specific areas and are isolated from each other. The road conditions here also are bad. Since Sumatra produces a major portion of Indonesia's exports, the transport system here calls for considerable improvement.

It is considered that in the island of Sulawesi a network of roads is possible for the improvement of its economy. Now the island depends mainly on shipping for transportation.

The rail road system in Indonesia is confined to the two islands of Java and Sumatra and between the two Java is better served. The entire railway system however is in disrepair and is unable to handle any more traffic than what is offered now.

The inter-island transportation is primarily by sea. The fleets are in very poor condition lacking spare parts, proper maintenance and repair facilities. The new Government had decided to give more freedom to individual shipping companies limiting the State role to allocation of routes, enforcement of maritime law, establishment of new shipping companies etc.

Indonesia's international shipping is made up of vessels operated by private companies. The companies belong to two shipping conferences, one in the Indonesian - European trade and the other in the Indonesian - Japanese trade. The Indonesian fleet is badly maintained because of the shortage of spare parts, insufficient navigational aid and inadequate tele-communications.

Java has three main ports on the North coast - Tandjung - Periuk (Djakarta), Semarang and Tandjung Perak (Surabaya) - and one on the south-coast, Tjilatjap. Except perhaps the Djakarta Port, the others are in need of extensive rehabilitation and modernisation.

In Sumatra each productive area has a good sized harbour. The main ports are Belawan, Padang and Palembang.

Poor road connections to these ports have led to other but smaller harbours being put to increased use. The important ports in Kalimantan are Pontaianak and Balikpapan. In Sulawesi, Makassar and Manado handle most of the trade. All these harbours need better loading and unloading facilities, warehousing and internal transport.

Java has very few navigable rivers. In Sumatra on the other hand several east flowing rivers carry waterborne transport. The river mouths however need considerable dredging for better use of river transport.

Kalimantan depends almost exclusively on river transportation and here again the river mouths are badly in need of dredging.

National Income

The national income in 1967 at 1960 prices was Rp. 470.5 billion. This is a rise of 2.9 per cent per annum as against an increase of over 2.5 per cent per annum in population. (Tables 4-7).

There is an uneven growth rate of the different sectors of the economy. The primary sector shows a rise

of about 4 per cent per annum in the seven years 1961-67. However, the percentage increase from 1966 to 1967 was 6.5. Manufacturing has not shown any visible improvement; the growth rate has remained at about 1.63 per cent per annum in the seven years 1961-67. Electricity and gas is the only sector where the growth rate was high at 28.57 per cent per annum from 1960 to 1967.

There is a negative trend in the income generated from financial institutions in seven years 1960-67; its rate of development was lower by 2.7 per cent per year. The reason is considered to be the low tempo of working of the foreign banks prior to their winding up in 1965. Public administration and defence has also a negative rate of growth probably because of the partial payment in kind.

Current Economic Policy

Since October 1966, the new Government has been consistently pursuing a policy of economic and political stability. A study of the economic development in 1967 and 1968 indicates slow but steady progress towards economic stability. In 1966, the level of inflation, as reflected in the increase of the cost of living index,

reached 650 per cent; in 1967 the increase was 120 per cent, and in 1968, 85 per cent.^{1/} Some of the achievements are reflected in increase in export earnings, improvement in commodity composition of imports and modest increase in the production of rice, textile, oil, tin, nickel, rubber, etc. This is being considered as an indication that the foundation for the implementation of development process is being laid with a view to direct the growth in desired direction. The Government of Indonesia has formulated the first five year plan (1969-70 to 1973-74) with the object of raising the standard of living and at the same time laying a foundation for national development in the subsequent plans. The main emphasis in the plan is laid on the agriculture sector through its modernisation, mainly by adoption of new technology, new seeds and commercial fertilisers. One of the main gains expected to be realised from this strategy will be the total elimination of rice imports. This will contribute towards conserving foreign exchange. Besides rice, there is also emphasis on improvement of the plantation crops.

^{1/} In 1969, the inflation rate was cut down to a mere 10 per cent.

Though details of the plan with regard to the individual schemes are not yet available, the broad investment allocations for the various sectors have been worked out. (Table 8). Out of a total investment of Rp. 1,059 billion (end of 1968 prices) 319 billion Rp. are earmarked for agriculture and irrigation. In the field of industries, the emphasis is to develop agricultural input industries and agricultural processing industries such as fertilisers, cement, insecticides, pesticides, other chemicals, rice hullers, crumb rubber machines, lumber and paper. The development strategy in mining is to gradually improve the quality and volume of mining exports. Import substitution is another important facet of the industrial policy which will be implemented through import duties, tax incentives and grant of credit. The building up of the textile industry is given a high priority on demand and employment considerations. For effective implementation of the agricultural and industrial plans, development of adequate infra-structure facilities has also been provided for in the plan. Here the emphasis will be more on rehabilitation and expansion of the relevant facilities.

As a result of the plan schemes, the output of various products is anticipated to rise considerably, (Table 9). Thus between 1969-70 and 1973-74, output of rice is expected to grow from 10.50 to 15.42 million tonnes, palm oil from 172 to 275 thousand tonnes, sugar from 677 to 907 thousand tonnes, fish from 1423 to 1969 thousand tonnes, textiles from 450 to 900 million tonnes, and electric power from 659 to 1084 thousand KVA.

To conclude, it can be said that the stabilisation programme of the last three years brought out virtually a complete halt of general inflation in the first half of 1969. Recent economic performance has several encouraging features. The estimates show that in 1968, the National product might have increased by 4 to 5 per cent. For the first time in recent years, there was a surplus in the revenue budget of 1969-70. The first Plan reflects realistic thinking and is quite feasible. The only snag is to what extent the financial resources would be available, particularly from foreign aid which has a heavy component in financing the Plan (Table 10).

PART TWO

TRADE

Chapter 2

MARKET STRUCTURE

Importers in Indonesia broadly are:-

- (a) Government departments.
- (b) Quasi Government corporations.
- (c) Import indenting firms.
- (d) Wholesalers.

Government import trading has an important role but its extent is diminishing. Defence stores are of course imported by the relevant Government department. Rice also is imported likewise.

The corporations had a monopoly in imports of certain items until 1967. They handled about 50 per cent of Indonesia's imports which included capital goods for the public sector and raw materials and items such as paper, wheat flour and tyres. They traded domestically also and the items they handled were rubber, paper, and tobacco. Fertilizer is imported partly by Government agencies and partly by private firms to whom licence is given.

The recent changes in Indonesia are to shed the monopoly character of many of these agencies and allow

private importers to handle varying proportions of import trade.

Non-food consumer items are generally open to private import and there is a division between importer and importer-wholesaler. A majority of these two groups is the Chinese with Indonesians as partners or with assumed Indonesian names and titles for their importing companies. The Chinese are the rich class, the saving class and the enterprising class also. The Chinese do not profess any traditional affiliation to Mainland China and they know of Indonesia's strained relation with China.

The Indonesian Government insists that in trade as in other spheres, Indonesians should be taken both in management as well as on the staff. Foreign registered trading firms and non-national firms are required to register themselves in Indonesia within a reasonable time.

Despite rules and regulations to expedite this process, a good per cent of the import trade is still in the hands of non-Indonesians. Several of them have, however, taken on Indonesian partners to conform to the

rules. A general device is to have one or two Indonesians on the Board from among the staff members of the company with apparent rights and privileges. But even as they are taken on the Board, they are made to sign away their rights and this document is kept by the original non-national proprietor for use at the time of settling the claims. Lower down in the import set up are wholesalers/retailers. They are mostly Indonesians but with comparatively small funds and resources.

Imports from India are being channelised mainly through Indian Traders settled in Indonesia. Though they do not import in their own names, they work through the local Indonesian partners who are registered as importers.

In recent years, Japanese are coming in this market in a big way. Some of the leading Japanese firms have opened their offices in Djakarta and other places. This gives them an edge over exporters of other countries in this market. Apart from Japanese firms, several American, German and U.K. firms are also taking keen interest in this market. It is through their

direct and aggressive sales techniques that these firms are able to penetrate this market with much success. Therefore, it is very necessary for intending Indian exporters to follow similar techniques in this market, otherwise, no worthwhile expansion of exports is possible.

Chapter 3

FOREIGN TRADE POLICY

Indonesian import regulations have undergone numerous changes in recent years and further changes can probably be expected before conditions are normalized. The following discussion should provide traders with a useful background information, and an effort has been made to up-date the information to reflect known changes from the time of the team visit in mid-1968 to early 1970. However, it will be important to recheck the applicability of pertinent regulations before entering into business relationships.

The exports and imports are regulated by specified policy of the Government and various procedures and regulations prescribed from time to time. Their details as prevailing in early March 1970 are given at the end of this report.^{1/} However, a brief discussion giving the salient features of the foreign trade policy is given below:

Import Regulations: The B.E. System:

It has already been said that Indonesia has a tight money policy with interest rates ranging between 10 to 15 per cent per month. The importer, therefore, has

- 1/Appendix 2 Outline of the General Export Policy
- Appendix 3 Summary of the Export & Import Procedure
- Appendix 4 Customs levies.
- Appendix 5 Regulations on Passenger Goods & Despatched goods.

to borrow at phenomenal rates for his imports.

The importer also has to deposit the full amount of the value of his imports at the time of opening of letter of credit, and must also simultaneously pay the estimated import duties.

There are, however, a number of exceptions to this rule, of which the following may be noted.

1. "Very essential" imports, so designated as Group A on the so-called B.E. list, do not require deposit of import duties in advance.
2. Importers using general B.E. credit (explained below) may defer opening letters of credit until 45 days after shipment from US or Canada, 30 days after shipment from Europe, and 14 days after shipment from most other areas.
3. Importers using US AID B.E.'s may postpone deposit until after the goods are delivered in Indonesia.

Exporters to Indonesia must realise that under these policies it is vital that the Indonesian importer

gets his imports within the shortest possible delivery time after the opening of the Letter of Credit. Time may be spent on correspondence and negotiations between the exporter and the importer prior to the opening of the letter of credit. But once the importer has opened the LC, he should get his goods in the shortest possible time as otherwise he stands to lose heavily on account of the prohibitive interest rates. Indian exporters may have thus even to think of guaranteed delivery, just as Japan does, in order to be competitive. Alternatively, exporters have to be thoroughly conscious of the delivery date after the LC has been opened.

In this connection it is also important to note that Indonesia has authorized the establishment of areas where goods can be stored duty-free in bonded warehouses and is seeking foreign financing for them.

Exporters have also to understand the B. J. system in Indonesia under which the country arranges its imports according to economic priority and its exports by giving the maximum incentive to the exporter.

The items imported are broadly of the following categories:

1. Import through Bonus Export (B.E.)
2. Import through B.E. Credit
3. Import through Automatic Foreign Exchange Allocation (A.D.O.)
4. Import through Complementary Foreign Exchange (D.P.)

Import Tariff Structure and Policy

Important thing to remember about Indonesian import policy is that it has minimum restrictions on imports. There is almost no ban on imports (except 3 or 4 items), there is no licensing or quota system applicable to imports. The only means of regulating imports are the dual exchange rate and import duties. For essential items, the foreign exchange can be purchased at the rate of Rp. 326 per U.S. dollar (i.e. B.E. Rate) while for non-essential items, the exchange rate is Rp. 378 per U.S. dollar. (i.e. D.P. Rate). The import items are grouped in various categories depending on their degree of essentiality and these are subjected to varying import duties. (Appendix 4).

Even on remittance of foreign exchange abroad there is no restriction but the same has to be purchased at the D.P. rate.

As a result of this policy, the Government has been able to control inflation in the country. The two rates, though expected to fluctuate on demand and supply position, have remained fairly stable during the last few months. The policy laying emphasis on the import of raw materials, machinery and auxiliary items has resulted in keeping the imports of non-essential and luxury items within reasonable limits.

Effect of the Tariff on Imports from India

Although it is not possible to analyse the rate and incidence of import duty on all the Indian items that Indonesia imports, it can be said that the major items are in the 'very essential' category and therefore bear only a low duty of maximum 20 per cent.

Chapter 4

REVIEW AND PROSPECTS OF TRADE

Data on trade and balance of payments of Indonesia are available in local currency. For international comparison, the U.N. office has converted it at the rate of Rp. 10 per U.S. \$ for the period from 1955 to 1967. There are discrepancies with regard to some of these data available from different sources. However, the following analysis based on such data, by and large, holds good.

Balance of Payments

Between 1955 and 1965, Indonesia's earnings from merchandise exports generally exceeded the import needs. This resulted in favourable balance of trade in most of the years, it being highest (\$ 449 million) in 1959 (Table 11). However, the trade surplus was inadequate to cover the invisible imports almost throughout the period. This created a large deficit on current account, it being as high as \$ 521 million in 1961 (Table 12). Even the inflow of capital in the form of loans, grants or war reparations were not enough to meet the deficit in the balance of payment. Despite such a precarious financial position, some of these credits were used for the import of luxury goods.

To meet this difficult situation Indonesia had to use its reserves of gold and foreign exchange. Thus the reserves which stood at \$ 260 million in 1959 dwindled to the low level of \$ 8.6 million in 1965.^{1/} As a result of such policies, the foreign debts (to 26 States and the I.M.F.) stood at \$ 2,447 million at the beginning of 1966. Of this debt, about 42 per cent was for the defence needs in connection with the liberation of West Irian. Nearly 55 per cent of all these debts were from communist block, while the rest was from the West, including I.M.F.^{2/}

In understanding the current economic situation and in assessing the prospects of external trade of Indonesia, developments that have taken place in the recent past are more relevant. The following discussion, therefore, is focussed mostly on this.

Exports

Exports of Indonesia have on an average been steady at about \$ 700 million in recent years. Exports mainly consist of mineral and vegetable products, both

^{1/} Economic Data for Investors in Indonesia: The Central Bank of Indonesia (Bank Negara Indonesia Unit I), 1968, p. 28.

^{2/} Ibid.

these groups accounting for about 98 per cent of total exports (Table 13). Itemwise, crude petroleum and petroleum products, rubber, coffee, tin ore, palm oil, spices and tobacco are the major exports (Table 14). Between 1966 and 1968, while exports of crude petroleum increased considerably, those of rubber, tobacco and palm oil declined. Heavy dependence of Indonesia on the export of a few primary products has been a strong restraining influence on its foreign exchange earnings which in turn has put a severe limitation on financing of development programmes.

Directionwise, exports mainly go to Japan (\$ 172 million), Singapore (Rs.115 million), U.S.A. (\$ 112 million) and Australia (\$ 73 million). These four countries accounted for about two-thirds of total exports of Indonesia in 1968 (Table 15). The large exports of Indonesia to Singapore are mainly due to re-exports from Singapore to other countries. This is because Singapore has developed facilities not only of shipping and other physical conveniences but also for financing, insurance, etc. The recorded trade with Singapore is only a part of the total, presumably large smuggling to that country excluded.

The countries next in importance are Germany, Netherlands, Malaysia and Philippines. The other countries take very little from Indonesia. However, it is important to observe that in recent years, the share of Japan, Singapore, Malaysia, and Australia has increased, while the same has declined in case of most of the other countries, notably U.S., U.K., Germany, Netherlands, Socialist bloc and Mainland China.

Imports

Details of imports by important commodity groups are presented in Tables 16-21. These reflect the changes that have taken place between 1959 and 1965. However, more recent data are given in Tables 22 and 23 covering the years 1966, 1967 and 1968. The following discussion largely relates to these years.

Imports of Indonesia have been steadily rising from \$ 527 million in 1966 to \$ 712 million in 1968 (Table 16). Of the total imports, 36 per cent was accounted for by consumer goods, 34 per cent by raw materials and the remaining 30 per cent by capital goods in 1968. As a result of the country's import policy which lays emphasis on rehabilitating the economy,

imports of raw materials and capital goods have been rising at a faster rate than those of consumer goods during the recent past. Of the total increase in imports of \$ 185 million between 1966 and 1968, \$ 80 million was accounted for by capital goods, \$ 65 million by raw materials and \$ 40 million by consumer goods. Among raw materials, the main items are fertilisers, textile fabrics, yarn, chemical and pharmaceutical products. Their imports are used for the expansion and rehabilitation of the textile industry and for the modernisation of agriculture. Among capital goods, machinery of various types, motors and motor vehicles are important. A large number of incomplete industrial units and a fleet of commercial vehicles have been lying unutilised because of the lack of spare parts and machinery. Therefore, various types of machinery, electric motors, transformers and other parts and equipment are being imported to put the machines and vehicles in the running order. Because of inadequate foreign exchange, this is being done obviously on a selective basis.

The import of consumer items is mainly with a view to check the price rise. Rice continues to be the largest single import item, the import in a particular year mainly

depending on the local production. Other consumer items are wheat flour, sugar, pharmaceutical products, cycles and dairy products. Between 1966 and 1968, the imports of fertilisers, iron and steel plates, machinery, motors and rice have been steadily rising mainly for the economic rehabilitation plan undertaken by the new regime.

Among the major suppliers of Indonesia in 1968 were Japan (22 per cent), U.S.A. (16 per cent), Germany (10 per cent), Netherlands (7 per cent) and Mainland China (6 per cent). Between 1966 and 1968, imports of Indonesia increased by \$ 185 million. Of this increase, U.S. accounted for \$ 66 million, Singapore \$ 31 million, Netherlands \$ 23 million, Germany \$ 22 million and Japan and Australia \$ 17 million each (Table 23).

Composition of Imports

(a) Consumer Goods: Among Indonesian imports, consumer goods have always had a dominant share. The most important item has been rice and together with it some wheat flour. Indonesian production of rice is increasing but it is anticipated that imports will still continue to be sizeable in order to check any run away

rise in price and also to have a buffer stock. There is a possibility of a shift from rice to wheat within permissible limits. Since 1967, rice imports have been from two sources (a) food aid, particularly under PL-480, from the U.S. and (b) cash purchase with Indonesia's own foreign exchange. The latter purchase is considered to be cheaper and therefore, in theory Indonesia will be making a better use of its available resources if it buys rice in the open market. But since foreign exchange may continue to be short, the PL-480 source may have to be fully pressed. While the balancing between PL-480 and cash imports will depend upon the year to year resources variation, the total allotment between the two shows that Indonesia will continue to import rice during the next 2-3 years. In 1969, total imports of rice amounted to \$ 108 million, of which \$ 61 million were under programme aid and the rest from free foreign exchange (Table 24).

There is expected to be a transformation in Indonesian imports in regard to foodgrains from 1971-72 onwards. The Government plan is to reduce the import of rice and increase the import of fertilisers. This is a step towards the ultimate goal of self-sufficiency in rice. The import of fertilisers which was \$ 33 million

in 1969 is likely to go up to \$ 50 million in 1973-74 as per the First Five Year Plan.

Though the total imports of consumer goods have increased between 1966 and 1968, there has been a significant decline in the import of textile fabrics and underwear from \$ 44 million in 1966 to \$ 8 million in 1968. This is probably due to the increase in local production as a result of the rehabilitation programme of the textile industry.

(b) Raw materials: The second important group of commodities consists generally of raw materials for industries and intermediates. These items have accounted on an average for about 33 per cent of the total imports from 1959 till 1968.

The striking items in this group are fertilisers, textiles and chemicals. Each shows variation from year to year but together they have continued to dominate this category; throughout this period.

(c) Capital goods: Within this group, the items of major importance are iron and steel pipes, machines for industrial and commercial purposes and motor vehicles.

The inclusion of passenger cars among heavy motor vehicles in this group shows that the definition of capital goods used in the Indonesian trade nomenclature is rather loose.

Financing of the Imports

A large part of the imports is financed by Indonesia's own exchange earnings. Thus in 1969, of the total imports of \$ 729 million, \$ 517 million (\$ 484 million under B.E. and \$ 33 million under D.P.) were financed by own earnings while the rest of the imports amounting to \$ 212 million were financed through Programme Aid (Table 24). The more important items coming under programme Aid are rice (\$ 61 million), fertilisers (\$ 19 million), raw cotton (\$ 23 million), cotton yarn (\$ 15 million), non-electrical machinery and wheat. Most of these are being imported from U.S.A.

A very small part of the imports (\$ 33 million) was financed under D.P. in 1969. These are considered non-essential items and attract heavy import duties. However, apart from these statistical figures, the impression that one gets by visiting the country is that it is flooded with all types of imported goods many of which can be termed as non-essential luxury consumer goods. This is

probably explained by heavy smuggling of such goods. Partly because of a large number of scattered islands where checking is difficult and partly because of laxity in the import administration, smuggled goods find their way in the country. The Government is keen to correct the situation and may succeed in it soon. However, to the extent smuggling takes place, the export earnings are kept out of the country and are used to finance it.

Assessment of future imports

As said earlier, the Government of Indonesia has prepared a broad Five Year Plan covering the period from 1969-70 to 1973-74. The overall investment pattern of this Plan has been indicated but is by no means rigid. The physical output estimates of major items have also been tentatively worked out on yearwise basis. Though a few individual schemes of priority nature have been formulated and are being implemented, the feasibility reports of the remaining schemes will be prepared within the overall framework as the plan proceeds and experience is gained. This allows sufficient flexibility in the modification of the priorities and the choice of projects.

However, much will depend on the mobilisation of internal resources as well as the availability of external aid and investments. Therefore, it is hazardous to make any independent assessment of the future import needs of the country.

The Government of Indonesia is keen to formulate its import policy with suitable modifications introduced from time to time in such a way that the level and composition of imports conform to the objectives of the Plan. This is supposed to be done through a pragmatic supervision of import and foreign exchange policies. Based on the needs of the production pattern envisaged during the First Five Year Plan period, the Government has broadly attempted the projection of imports (excluding oil) for each year.

Accordingly, the total imports are likely to go up from \$ 876 million in 1969-70 to \$ 1,439 million in 1973-74. Though the overall imports will rise over the period, those of food products are likely to go down from \$ 176 million in 1969-70 to \$ 67 million in 1973-74, mainly on account of the expected self-sufficiency in rice.

The import of raw materials and supplementary goods will almost double, from \$ 335 million in 1969-70 to \$ 680 million in 1973-74. The major increase in imports will be in a large number of raw materials^{1/} (\$ 246 million), chemical material and equipment (\$ 70 million) and raw cotton and yarn (\$ 51 million). Imports of fertilisers and newsprint are likely to decline over the period because their domestic production is expected to increase.

Though details of the import requirements of capital goods are not available, their overall imports are estimated to increase from \$ 275 million to \$ 614 million over the Plan period.

To what extent these import plans will materialise will depend on export earnings and the availability of foreign aid. According to Plan estimates, the capital requirement (taking into consideration the balance on current transactions and repayment of foreign debt) will progressively rise from \$ 459 million in 1969-70 to 1,081 million in 1973-74 (Table 26).

^{1/} Details of which are still not available.

There are already signs that a few countries, notably among them being U.S.A., Japan, Australia, France and Canada, have started taking keen interest in the development programmes of Indonesia. Most of their investments are in the fields of oil exploration, mining, forestry and fishing. To the extent these investments are made under aid programmes or directly by foreign firms, chances for other countries, like India, for exports in these fields are rather limited. But to the extent the imports are financed by Indonesia's own foreign exchange earnings and through international loans, other countries can find this market highly attractive. What are the chances for India to have a share in this market and in what items, is discussed in subsequent chapter 6.



Chapter 5

TRADE WITH INDIA

Imports from India into Indonesia have not been at any time more than 2 per cent of that country's total imports. Exports to India from Indonesia have also been small. The overall trade between the two countries for the period 1958-68 is shown below:

INDONESIA'S TRADE WITH INDIA

(Million \$)

Year	Exports to India	Imports from India	Trade balance
1961	3	14	- 11
1962	2	16	- 14
1963	4	5	- 1
1964	5	12	- 7
1965	2	4	- 2
1966	-	7	- 7
1967	-	8	- 8
1968	Neg.	12	- 12

Source: Indonesian Financial Statistics - Bank
Indonesia, Oct. - Nov. 1969, p. 98, 114.
(Conversion rate 1961-65, 1 US \$ = Rp. 45,
1966-68, 1 US \$ = Rp. 10)

Indonesia has been having unfavourable balance of trade with India almost throughout the period, ^{1/} though its extent has widely varied from year to year. This is a reflection of the unsteady nature of both exports and imports between the two countries. Apart from fluctuations, the level of India's trade with Indonesia has been rather low. Thus among the 26 countries surveyed in this study Indonesia ranked tenth in terms of overall imports, while its position was seventeenth with regard to imports from India (1968-69). This indicates that India seems to have not paid enough attention to this vast market.

To promote Indo-Indonesian trade, a three year trade agreement between India and Indonesia was signed in April 1963, which expired in April 1966. A new Trade Agreement was signed in December 1966 valid for two years accompanied by a credit of Rs.100 million, details of which are discussed later on.

^{1/} Data from Indian source is given in Table 27.

The first agreement obviously had no impact on the trade between the two countries except a sporadic increase in 1964. By 1965, the trade of India with Indonesia more or less came to a standstill and a revival was made possible by new agreement along with loan.

India's Imports

Upto 1965-66, petroleum and petroleum products were the largest items India imported from Indonesia as can be seen from the table below:

Imports of Petroleum (Crude and partly refined) from Indonesia

Year	Imports of petroleum crude and partly refined (In million Rs.)	Total imports from Indonesia (In million Rs.)	Percentage of petroleum crude imports in the total imports
1961-62	12.9	17.8	73
1962-63	10.1	13.7	74
1963-64	16.2	16.9	97
1964-65	25.6	26.6	96
1965-66	22.0	22.1	99
1966-67	-	0.8	-
1967-68	-	1.1	-
1968-69	-	1.4	-

Source: Monthly Statistics of Foreign Trade of India, Government of India.

In the last three years, 1966-67, 1967-68 and 1968-69, there were practically no imports of these two items from the Indonesian source. To that extent the Indian import trade in these years had dwindled to the lowest point. The items which featured in the small trade were :

India's Imports from Indonesia, 1968-69

<u>Items</u>	<u>Quantity</u> ('000 kgs.)	<u>Value</u> (Rs. '000)
Patchauli oil	12	593
Pepper long	80	170
Citronella oil	7	143
Natural essential oil	2	65
Nutmeg oil	1	52
Copal	18	46
Nutmegs	5	39
Cananga Oil	1	34
Cubebs	13	27
Benjamin cowrie	4	16
Other gums	2	22
All other vegetable materials	3	20

Source: Monthly Statistics of Foreign Trade, Government of India, March 1969.

The low level of imports from Indonesia, and that too mostly confined to the single group of petroleum products, is explained by the fact that Indonesia at present has very few other items to offer. These

include rubber, tin ore, tobacco, copra, tea, coffee, spices, etc. While in case of some of these items, India's requirement is negligible, in other items India itself is an exporter. However, as the Indonesian economy undergoes structural changes in the coming years, it is hoped that India will be able to import a wide range of products from Indonesia.

India's Exports

Commodity-wise break-down of imports is not available from the Indonesian trade data. Hence, the export statistics of India, with composition of trade by broad groups, is given in Table 28.

During the last decade, the highest exports from India to Indonesia were recorded in 1961-62 at a level of about Rs. 70 million. It dwindled to Rs. 8 million in 1965-66, but because of the Indian loan as stated earlier, the exports started picking up and reached the level of Rs. 59 and Rs. 56 million in 1967-68 and 1968-69 respectively (Table 27).

Traditionally, the important items of India's export to Indonesia have been cotton textiles and jute goods. Cotton textile exports consisted mainly of

various types of shirtings, poplins and drills. Among jute manufacturers, bags, rope and twine and hessian cloth have been the principal items. Some of the other exports in the past had been of rubber goods, films, a few machinery and engineering items.

Trade after the Credit

The 1966 agreement provided for promotion of mutual trade, by listing several items as available in the two countries. The commodities mentioned in Schedule 'A'-available from Indonesia - included petroleum products, raw rubber, palm oil, copra, timber, kapok, gums and resins, cinnamon, nutmeg, betelnuts and others. Under Schedule 'B' - items available from India to Indonesia - were textiles of cotton, wool and synthetic fibres, cotton yarn, jute manufactures, coir products, chemicals, pharmaceuticals and allied products, leather and leather products, ceramics, plastic products, building materials, pig iron and rolled sheet products. Engineering goods included in Schedule 'B' are (i) ferrous and non-ferrous castings and forgings, (ii) fabricated steel structurals, (iii) railway rolling stock and track and signalling equipment and material, (iv) all types of

machine tools, (v) small hand cutting tools, (vi) diesel engines, pumps and compressors, (vii) electric motors, transformers, switch/control gears, (viii) complete plants for the manufacture of sugar, cement, vegetable oil crushing and refining, solvent extraction, etc., (ix) motor vehicles and ancillaries, (x) construction machinery, (xi) electric fans, lamps, cables and conductors, (xii) bicycles and components, (xiii) sewing machines and (xiv) public health engineering products.

An agreement for trade and economic cooperation was concluded just before the credit agreement in 1966. This agreement was made to facilitate purchases by Indonesia of several commodities urgently required by that country, for instance, jute manufactures, insecticides, paper, iron and steel products, aluminium sheets, irrigation pumps, spare parts for bicycles and spares for trucks and buses.

Both countries had agreed that ways and means would be found for expanding technical and economic cooperation between the two and it was also felt that there was a great scope for the establishment of joint industrial ventures in small scale, medium and heavy

industries in Indonesia. It was agreed that technical experts of the two countries would meet periodically to pursue this object. India had also undertaken to train Indonesians in such fields as banking, accounts and audit, railway operation, operation of power plants and in other fields of industrial technology.

The Bank of Indonesia made detailed announcement regarding the terms of sale under the credit and the items available for export from India under the credit. This is given in Appendix 6.

Subsequently, a decree was issued by the Government of Indonesia facilitating the use by certain nationals of Indonesia of what was then known as the 'frozen foreign exchange balance', to buy foreign exchange permits for importing goods from India under the commercial credit. This was intended to help the early use of the Indian credit.

As a further incentive to use the Indian credit, the Bank Negara, Indonesia, announced that with effect from March 22, 1967, Indonesian importers under foreign credits (including India) need not pay 100 per cent of the par value in local currency in the bank with respect to

non-consumer goods. The non-consumer goods were divided into two categories. In the first category the importers were to deposit only 25 per cent of the par value at the time of opening the Letter of Credit and the balance was payable later within 14 days of the arrival of the document. The second category consisted of cotton, fertilisers and spare parts for transport. In this category the importers were liable to pay only 10 per cent of the par value at the time of the opening of the Letter of Credit and the balance was payable as for Category 1.

A previous announcement had made it clear that the importers were exempted from having to pay in advance the customs duty to the extent of 50 per cent of the rate.

Use of Indian Credit

As in June, 1968, the use of Indian credit item-wise is given below :-

List of Goods Imported by Export Bonus Credit from India

		(Million Rs.)
1.	Aluminium Sheets	Nil
2.	Irrigation Pumps	Nil
3.	Insecticides/fungicides	Nil
4.	Jute products (sacking, twine)	34.34
5.	Iron & Steel products (mostly structurals)	9.00
		(Contd...)

6.	Bicycle spare parts, bicycles in CKD condition.	9.50
7.	Cigarette paper	Nil
8.	Spare parts for oil mills	1.01
9.	Chemicals	0.12
10.	Paper (writing paper & kraft paper)	3.52
11.	Cotton yarn (12 count and 20 count)	
	cambrics and cotton textiles	41.74
12.	Cambrics	deleted
13.	Dyestuff	0.05
14.	Cotton Textiles	deleted
15.	Pharmaceuticals & pharmaceutical raw materials.	0.24
16.	Components, spare parts, accessories for trucks and buses, motor tyres and tubes.	0.45
		<hr/>
		99.97
		<hr/>

It will be seen that of the 16 items, three namely, aluminium sheets, irrigation pumps and insecticides/fungicides, could not apparently find a market in Indonesia at all. The main reason given is stiff competition from other exporting countries.

The Indonesian Government wanted agricultural sprayers to be included in the list. This was turned down by the Government of India apparently on the reason that the sprayers contained more than 20 per cent imported materials and that, therefore, they would not be available for trade on credit.

On the other hand, the original ceilings on bicycles, cotton yarn and paper had to be revised upwards because of the demand for these items and also to maintain the total trade upto the credit limit. The drawback was only that Indian Government took considerable time in revising the ceilings. That was one reason given for the non-utilisation of Indian credit for several months in the beginning. A side reason later given out was that the Indonesian importers were not quite confident of taking up the new items on the list such as the structurals, chemicals and pharmaceuticals products, dyestuff etc.

The reason for the total exclusion of cigarette paper from the import list is given to be India's difficulty to export. The unit manufacturing cigarette paper in India has collaboration arrangements with a UK firm and it appears that the principals did not favour the Indian unit taking up this trade.

Exports in 1967-68 and 1968-69

In recent past, exports from India to Indonesia reached their highest level during 1967-68. This was the year during which most part of the Indian loan was

utilised. As said earlier, the entire loan of Rs. 100 million was utilised by June 1968. In addition to items covered under the loan, there are exports of other items also. To what extent the loan has helped in the continuance of Indian exports to Indonesia can be seen from the following table :-

India's Exports to Indonesia

(Rs. million)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1966-67	0.7	0.7	4.3	5.0	10.7
1967-68	19.1	12.8	14.7	12.0	58.6
1968-69	21.2	17.0	8.3	9.1	55.5
1969-70	12.8	11.2	4.6	*	*

Source: Monthly Statistics of Foreign Trade of India, Government of India.

* Figures not known.

It is seen that during the third and fourth quarters of 1968-69, Indian exports declined to a low level. This is obviously the result of the non-availability of further loan. However, there was slight improvement during the first two quarters of 1969-70. Among the items that have moved even after the expiry

of loan are iron and steel (bars and rods), tobacco, textiles, paper and paper products and motor vehicles and parts. This shows that though loan may help in pushing exports to some extent, it is possible for India to have continued exports even without the loan. As a matter of fact, the loan did not help much India in introducing new items to this market. This is explained by the fact that in Indonesia there is no licensing or quota system in allocating imports and hence even when a country loan is available for certain products, these cannot be forced on importers unless the latter find the products competitive. The only attraction to use the loan items is to get foreign exchange at the concessional B.E. rate. Items that can be considered to have been well received in this market are textiles, iron and steel products, bicycles and parts, paper and paper products, and tobacco.

Problems of Indian Exports

The following is a discussion of some of the major problems affecting Indian export prospects to Indonesia.

Shipping: The consequences of the absence of direct shipment facilities have, by now, been realised by the

Indian authorities and some efforts have already been made to introduce a direct Calcutta-Djakarta line. It appears that there is not enough cargo offering now to keep this line on a regular basis. This has to be looked into.

Till a direct shipping line with Indonesia is practicable, it may be worthwhile for India to use Singapore's facilities. Indonesia is now thinking of reducing Singapore's role as an intermediate port for Indonesian imports. Whether this will succeed or not is open to question, for Singapore has as much illegal trade with Indonesia as registred.^{1/}

On almost all items which India exports to Indonesia, high freight is one reason why India does not do better.

Delivery Time: Since there is no bank credit available (except under some forms of credit aid) the Indonesian importer has to borrow from the market and the rate of interest is 12 to 15 per cent per month. Indian exporters should, therefore, appreciate that under the Indonesian policy and practice they should ensure

1/ Since the time of our study Indonesia has issued new regulations permitting transfer of B.E. exchange for imports from Hong Kong or Singapore only after arrival of the goods in Indonesian ports. Letters of credit can be opened only with D.P. foreign exchange for these places.

prompt delivery after the opening of the Letter of Credit; delivery to Indonesia assumes an importance quite out of proportion with even the marginal price difference. The normal shipping time between India and Indonesia, if direct, are five to seven days - the same as that from, for instance, Japan. But the total delivery time should be taken into account and made competitive. What is important is not the time taken in the delivery of goods after placing the order but after opening of the Letter of Credit.

Poor Quality: Indonesia is a brand conscious country. The difficulty about Indian items generally is that while the quality is not comparable with Japan, West Germany, etc., the prices are nevertheless high. Not only that, often complaints are heard that quality 'B' items are passed off as quality 'A'. Often what is shown in the sample is not the quality in consignment.

Sales Representation: Mainly arising out of the fact that Indian imports have thus far been channeled through a few Indian commission agents, the effective importing section in Indonesia, that is, the Chinese

^{1/} importing houses, do not know much about the range of Indian products now available for export. This particularly is true of non-traditional items, and an early attempt will have to be made to remove this handicap.

Competition: In recent years Japan has been the largest exporter to Indonesia. Japan provides programme and project aid and takes a good share of Indonesian raw materials. Its geographical nearness and dynamic salesmanship give Japan a distinct advantage. Nevertheless, it is felt in Indonesia that Japan's trading often smacks of the colonial type; also, Japan's occupation days have not been forgotten. Items of import from Japan under credit are supposedly overcharged. Japan's project aid also was reportedly costly and Japan was accused of over-staffing projects with Japanese personnel. Yet another complaint was that Japan was appointing its own selling agents for some of its products in Indonesia - thus replacing the Indonesian importer/wholesaler - which is against the rule in Indonesia.

The general feeling in Indonesia is that Japan's role in Indonesian trade is overwhelming because other

^{1/} Since this study was made, Indonesia has decreed that licence to import may only be given to Indonesian nationals, which is of course widely held by persons of Chinese origin. Foreigners may have sales offices in Indonesia, provided they use the services of licensed importers.

neighbouring countries have failed to maintain their trade with Indonesia. It is felt that India can be as good a source of import as Japan for several commodities and the Indonesian Government will welcome an increase in trade with India.

Pakistan is not as yet important in Indonesian export/import. Although Pakistan is generally competitive in prices because of the bonus voucher system, etc., Pakistan shares with India the handicap of irregular shipping service to Indonesia. It is reported that Pakistan has 'in principle' agreed to set up a jute mill in Indonesia under collaboration; no steps have so far been taken in this regard. Pakistan is no doubt trying to influence the Indonesian Government and people on the plea of Muslim common brotherhood, etc., and has organised a non-official 'cultural' association.

From the evidence available in Indonesia, it seems that although Pakistan is dormant in its trade and other economic relations with Indonesia at the moment, it will get active before long and, in trade matters, try to replace India in those products where it has price/

quality advantages. India should, therefore, try to make use of the present opportunity to establish itself in Indonesian trade both in traditional and non-traditional items.

Personal Contacts Important: In a country like Indonesia where personal contact is important for trade and allied matters, the initiative should normally rest with the Indian Embassy. In the present set up of the Embassy, the Commercial Section unfortunately is understaffed and, compared to similar sections in the Embassies of Japan, West Germany, Australia, etc., the Indian Embassy is weak in several respects. The Embassy does receive and forward to appropriate quarters in India complaints of Indonesian importers as and when such representations are made. But the other role of the Embassy, namely, introducing Indian items of promise is neglected for want of staff strength. The Embassy also is not doing the detailed market surveys of commodities of Indian interest, unlike the other Embassies in Djakarta, of their respective items of interest. Productwise market surveys are important in a country like Indonesia about whose extent and scope of

market the Indian exporter is relatively ignorant. Although the Embassy does answer queries from Indian exporters and generally follows up by correspondence any interest shown by an Indian exporter, it is not a substitute for detailed market survey.

To many Indian exporters, while Singapore and Malaysia appear close-by, Indonesia is mentally far away. Their visit to Djakarta appears to be casual - an extension from either Kuala Lumpur or Singapore. Although the Embassy does help in introducing Indonesia, it has a sense of frustration because the Indian exporter/representative does not generally take advantage of the introduction. Some come with no proper authority. Reference to their headquarters for the power to conclude a deal takes time and often is refused; the priority of export markets is likely to be different in the headquarters and the visiting representative's assessment of the Indonesian market perhaps does not impress the headquarters much. On the other hand, the Japanese representatives are said to be adepts in making use of their contacts in Indonesia. They come armed with sufficient authority and even in cases

of doubt a reference to Tokyo is made possible within a matter of hours by the telex service. Perhaps the establishment of a branch in Djakarta of any one of the important scheduled banks of India could be of help.

Sales Literature: Literature about Indian products is just not obtainable in Indonesia; where it is, the information is generally old and inaccurate. To the Indonesian importers, next in importance to personal contacts, is the availability of illustrated brochures/pamphlets of the products he deals in. While Japan and other countries generally cash in on this medium of publicity, India is far behind.

Packaging: As in several other items of marketing, India is weak in packaging also. Indonesia is a humid area and packaging has got to be appropriate to this climate. Since clearance from the port takes its time, it is quite likely that the product is exposed to the weather for several days. The packaging should be protective enough to cover this contingency.

Assessment

The over-all impact of India's credit is questionable. A certain amount of good-will has no doubt been created and a few new items have also been introduced. But these advantages have more or less been lost on account of the several defaults of the Indian exporters. The delay in shipment has been cited as the most important of them. With the very high interest rates prevalent in Indonesia, importers stand to lose heavily unless shipments are in time. In some items such as cotton yarn, it was reported that the quality in consignment was not equal to what was shown in the sample. Even the popular bicycles, were not ultimately found to be so popular and quite a number of them could be sold only in remote parts of Indonesia such as Kalimantan and West Irian and not in Djakarta.

Most of the trade under credit was handled by Indian Commission Agents in Indonesia numbering about three. The commission agency system, especially for Indian imports, has been a feature and this may continue until the time the Indonesian importer comes to trade directly with India. In the trade under credit, it

appears that these agents had agreed to improve sales on commission but were denied their commission on the apparent reason that it was extra to the f.o.b. prices. A good part of their claims, it appears, was still pending, probably awaiting clearance from the Reserve Bank.

Apart from the problems such as finding suitable agents, payment of commissions, delay in shipments, non-conformity to samples in supply of goods etc. which are important in developing trade relations with any country and which should be duly solved, the most important thing to remember about Indonesia is that it is going to be the largest market in the South-East Asia. The size and pattern of investment that is being planned in Indonesia in the coming years will require a wide range of industrial raw materials, machinery and engineering products most of which will have to be imported from other countries. Though some portion of such imports may be financed by country loans, there will be enough scope for countries like India, which themselves have a tight foreign exchange problem and hence are unable to extend loans, to push

their exports in this country. What is needed is the correct appreciation of the improved political and economic situation of the country and of the determined and sincere effort of the new regime to go ahead with massive developmental efforts in the years to come. The past suspicion and lack of confidence in the country's ability to set its economy in order should give place to appreciation of new trends that are already showing signs of promise. The fact that leading firms of Japan, U.S.A., Australia, France, Canada, etc., and their Governments are prepared to stake large investments in Indonesia indicates that, apart from political reasons, these countries have been convinced of the vast economic opportunities that this country provides for fruitful investment. There is sufficient economic justification for India to take keen interest in the expanding market of Indonesia.

PART THREE

TRADE PROSPECTS FOR INDIA

Chapter 6

EXPORT PROSPECTS OF INDIVIDUAL COMMODITIES

In choosing items of promise for export to Indonesia, the past trade is a guide only in regard to jute products, cotton yarn, cotton textiles, iron and steel products, bicycles and parts and paper products. However the more important consideration for assessing the export items is to select such products as would be needed in the projected imports of Indonesia in the coming years. On these considerations the following items are selected for detailed discussion. However, by no means this list can be considered exhaustive.

Jute Products: Indonesia's demand among these items is primarily for heavy cees green (sacks), hessian cloth and jute twine. The sack imports are mainly for bagging agricultural produce such as rice, coffee, copra, sugar, etc. Indonesia has no declared area under raw jute and the input requirements of small bagging unit producing bags for sugar products is met by imports.

Under the trade agreement in 1966 and after the inclusion of this item under the Indonesian Export Bonus Credit Scheme, jute manufacture exports from India to Indonesia have looked up. In 1967-68 the value of this export was Rs. 23.37 million though in 1968-69, it declined to Rs. 6.9 million. Itemwise export of hessian cloth, however, which was once a feature, has been surprisingly small in recent years. A break-down of this group of exports in 1967-68 and 1968-69 is:

India's Exports of Jute Goods to Indonesia

	<u>1967-68</u>		<u>1968-69</u>	
	<u>Quantity</u>	<u>value</u> (Rs. '000)	<u>Quantity</u>	<u>value</u> (Rs. '000)
Hessian cloth (tons)	316	926	69	203
Jute narrow fabrics (kgs.)	62,359	153	-	-
Jute twine (kgs.)	779,846	1,863	50,295	93
Jute sacking bags (tons)	9,377	20,932	3,298	6,626

The quantity imported from 1954 to 1965 had been roughly 20,000 tonnes annually. There is, however, considerable year to year variation mainly arising out of

the re-use of sacks. India had at one time almost a monopoly of supply especially of sacks but for the last 2 to 3 years, there is competition from Thailand.

Thailand has considerable area under raw jute and has recently set up units for making bags and other jute products. Primarily the Thai units are meant for bagging Thailand's own increasing rice crop. But, of late, Thailand's export of jute bags to the neighbouring countries has increased. It is reported that Thailand is offering Indonesia rice in bags besides bags themselves.

In the competition from Thailand the difference in price is the main factor. The Bangkok quotation is about US 24 cents per bag c. & f. Indian price is US 41 cents f.o.^{1/}b. Calcutta plus 4 cents freight. The irregular shipping with India is yet another reason. Thailand is geographically closer, delivery time is short and shipping between the two countries is easier and cheaper.

^{1/} Price data mentioned in this chapter are those prevalent during October 1968.

Indonesia's Total Imports of Bags
and Sacks for Packings

Quantity: '000 tonnes
Value: Million Rp

Year	Quantity	Value
1954	25	71
1955	30	94
1956	19	58
1957	16	52
1958	11	32
1959	27	68
1960	16	184
1961	21	345
1962	29	65
1963	13	32
1964	13	41

Source: Year Book of International Trade Statistics.

It is reported that bags from Nepal are finding their way to Indonesia and sold 20 per cent cheaper than India. The jute manufacturing unit in Nepal is medium size and even granting that Nepal's internal demand cannot absorb the entire quantity produced, it is surprising that Nepal should be competing with India in Indonesia especially on price. Nepalese bags pass through Calcutta and the shipping facility should be

as expensive for Nepal as it is for India and therefore Nepal can offer no other advantage. In regard to price also, accepting that the Nepalese unit is more modern than the Indian and the productivity higher, the difference in cost of production cannot be that large as to enable Nepal to be cheaper by a margin of 20 per cent in Indonesia as reported. Apart from no export duty for bags in Nepal, another plausible explanation is that the bags are smuggled into Nepal and re-exported, in which case they escaped export duty.

In considering the prospects of Indian jute goods in Indonesia, the severe competition from Thailand and Nepal should be taken into account. However, the Indian share in the total imports can certainly be maintained and perhaps even improved if the current differential in price is narrowed. The other steps necessary here are better shipment facilities and making the best use of the Indian commission agents in Indonesia to push Indian sales, especially on Government account.

Indonesian agricultural production is rising at about 3 - 4 per cent per annum and the demand for jute bags will also go up accordingly except for the marginal factor of used bags. Moreover, there is no proposal as yet for any serious local production of gunnies. It should thus be wholly India's effort to improve this market and retain it.

Cotton Weaving Yarn: This is one of the very essential items of imports and import has increased from about 21,000 tonnes in 1959 to 168,000 tonnes in 1966. The traditional suppliers are Mainland China, Hong Kong, Japan and India. Of these, three countries, Hong Kong, China and Japan, have the major share, over 87 per cent. China built up its market in two years, 1965 and 1966 and in so doing perhaps succeeded in completely replacing India. Japan's share also has been steady and in those years when for any reason, Japan's exports declined, the figures show that China's share had gone up. In 1965, China was supplying almost the entire quantity of imported yarn into Indonesia.

The present sources of cotton yarn grey are Taiwan, Korea, China, India and Pakistan. Under the trade agreements the Indian export of this item was Rs. 358,469 (kg. 59,089) in 1967-68. In 1968-69, the export of this item from India was Rs. 4.9 million (kg. 749,000).

The sources of bleached and dyed cotton yarn are Japan and European OECD countries. In 1967 Japan exported \$ 110,000 of this item to Indonesia and the OECD European countries \$ 317,000 of which U.K. alone exported \$ 137,000.

The demand for imported yarn arises mainly on account of the structural gap in the textile industry in Indonesia. Its spindleage is inadequate compared to the weaving capacity. Moreover, it is reported that over 60,000 spindles (10 per cent of the total) are out of operation awaiting spare parts. The current heavy import of yarn is thus inevitable. Even with the steps now being taken to rehabilitate the textile industry, especially the spinning section, with considerable international aid, demand for yarn is estimated to go up from \$ 41 million in 1969-70 to \$ 66 million

in 1973-74. The IFC is helping Indonesia to set up in private sector an integrated textile plant with 50,000 spindles. There are also proposals to have two new spinning plants at Makassar and Pedang each with 30,000 spindles. Simultaneously the equipment for rehabilitating several of the spinning mills now working on low capacity is being encouraged to be manufactured locally. Covering all these, the firm proposals in the industrial development 1969-73 are:

	<u>Million \$</u>
Spare parts for spinning mills	4.00
New integrated textile plant	10.00
New spinning plant - Makassar	5.60
Additional 30,000 spindles Jogjakarta	0.75
Additional spindles - other	7.00

Indian exports are likely to be affected not only from the traditional competitors like Japan but also to some extent from new sources such as the U.S.; in recent months, yarn is being imported under PL-480. In 1969, the total imports of cotton yarn amounted to \$ 40.7 million, of which \$ 14.6 was through programme aid. This still leaves good scope for exports from other countries.

There is no import duty on yarn and the Indonesian specifications can easily be met by India yet two or three major Indian suppliers are reported to have been outbid recently not only on price but on quality also.

However, looking to the growth in demand for yarn, it is within India's reach to expand exports of yarn even to \$ 2 million by 1974.

Unbleached Cotton Fabrics: Up to 1965, more than 90 per cent of the imports of this item was from five countries namely, U.S.S.R., India, Hong Kong, China and Japan. The current demand is met more by Japan and Hong Kong than by India; China's share has apparently been taken by Japan. In 1963, for instance, Chinese exports were only 24 per cent, a fall of over 25 per cent compared to 1959; Japan stepped in then supplying over 70 per cent of the total.

The Indian share was as high as 21 per cent in 1959 but in 1964 and 1965, it was negligible. Data are not available about India's share in subsequent years but competition from Japan and Hong Kong is reported to have left India with only a negligible share. As in others, in this item also India is priced out.

A new entrant in the Indonesian market is Pakistan. No trade is yet reported but the c. & f. quotation from Pakistan is understood to be US $15\frac{1}{2}$ cents per yard as against the Indian quotation of 1 cent higher.

Bleached Cotton Fabrics: For 7 years, upto 1965, this market was divided between Japan and China, Japan offering about 35 per cent of the total and China 24 per cent. Hong Kong was the third in importance with 11 per cent; India and U.S.S.R. were supplying a little over 6 per cent each.

Since 1965 China's share has come down although the Chinese prices are reportedly so cheap that some imports are still continuing. The ban on imports of Chinese goods has probably taken effect only recently. Japan and, very recently, Taiwan and South Korea, have been meeting almost the entire demand of Indonesia of this item.

The main sources at present for bleached and unbleached cotton fabrics are Japan and Netherlands. Imports from these and other important countries for the three years 1965-67 are given below:

Cotton Fabrics Woven other than Grey

Quantity: tons
Value: '000 \$

Country	1965		1966		1967	
	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	N.A.	101	N.A.	246	N.A.	529
Japan	8,844	18,963	3,577	8,845	4,067	9,707
Belgium						
Luxumburg	3	6	3	12	27	130
Netherlands	636	1,528	351	689	485	999
Germany West	8	14	N.A.	3	26	36
U.K.	8	21	3	16	4	10
Yugoslavia	3	4	1	4	77	187

Cotton Fabrics, Woven, Grey not Mercerized

Quantity: tons
Value : '000 \$

Country	1965		1966		1967	
	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	272	119	16	11	71	42
Japan	507	933	569	831	2,326	3,249
Netherlands	4	7	17	25	28	41

India's exports of the textile items under these two broad groups for the period 1967-68 and for 1968-69 are given on the next page. The details of total imports into Indonesia are, however, not known and hence it is difficult to give the exact percentage sourcewise for these items.

As in unbleached cotton fabrics, in the bleached variety also Indian exports suffer by price differential, high freights, shipping difficulties and, on occasions, poor quality. The specific complaint about quality is that the quoted width in the fabric is not maintained.

The future of this item for India is uncertain as it is for all other textile materials. While it is possible that India may be able to sell at about the same proportion as in the past, import substitution more than competition from other sources, may lead to a fall in demand. With the present attempts in Indonesia to revitalise the textile industry, the import demand may go down around 1972-73.

Textile imports are handled mainly by private importers, especially Chinese. The greys are imported by indent by some of the Government corporations such as the G.K.W.I. The indent is supposedly by tender but it appears that where the indenter is known, the tender system is only a formality.

India's Exports of Bleached and Unbleached
Cotton Fabrics to Indonesia

Quantity: '000 metres
Value: '000 Rupees

Items	1967-68		1968-69	
	Qty.	Value	Qty.	Value
I	2	3	4	5
Sheeting(carded yarn) unbleached	1,751	2,053	1,024	1,490
Sheeting(combed yarn) unbleached	15	19	87	112
Shirting(combed yarn) unbleached	1,104	1,023	-	-
Shirting(carded yarn) unbleached	303	410	27	34
Cambrics (carded yarn) bleached	3,550	5,151	4,189	5,734
Cambrics (combed yarn) bleached	2,063	3,084	958	1,326
Total	8,791	11,740	6,285	8,696

Bicycles

Among new items, the most important is bicycles. Under the credit terms, the ceiling for this item had to be raised on several occasions on request from Indonesia. While total imports into Indonesia are not known, the competition to India is mainly from Japan, Singapore and China.

Indian price under credit was US \$ 18 per unit (CKD). Cycles from competitors were reported on an average to be 15 per cent cheaper. Apart from the price differential, shipping difficulty and the long delivery time affect Indian exports.

Indonesia has an assembly plant for cycles and therefore will import cycles only on CKD conditions. The market for cycles will continue to be extensive as the transport problem particularly in the remote islands is considerable. Moreover, the Government of Indonesia supplies cycles to its employees on an instalment basis.

Exports of bicycles from some of the countries to Indonesia are shown below:

Exports of Bicycles and Parts
from OECD Countries to Indonesia

Quantity: Tons

Value: '000 \$

	1965		1966		1967	
	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value
Japan	N.A.	650	N.A.	956	N.A.	2,813
Netherlands	26	44	32	62	360	614
Germany F.R.	116	105	219	200	930	880
Italy	103	70	92	63	103	98
U.K.	N.A.	20	N.A.	6	N.A.	147
Yugoslavia	137	183	82	96	-	

Exports of Bicycles, and Bicycle
Parts from India to Indonesia

Commodity	1967-68		1968-69	
	Quantity	Value Rs. '000	Quantity	Value Rs. '000
Bicycles (Nos.)	38,274	5,356	19,326	2,577
Bicycle chain (kgs.)	-	-	3,102	13
Bicycle hub (kgs.)	-	-	9,933	55
Bicycle rim (kgs.)	-	-	3,000	7
Bicycle saddle (Nos.)	2,500	14	13,500	72
Bicycle spoke (kgs.)	4,416	15	256	1
Bicycle parts others (kgs.)	97,311	495	166,532	928

Note: The years more or less cover the credit period.
Source: Foreign Trade Statistics of India.

It is remarkable that Japan has increased its exports from U.S. \$ 650 thousand in 1965 to about U.S. \$ 3 million in 1967 - by over 360 per cent. West Germany also has increased its exports strikingly. The imports from Hong Kong, China and Singapore are not known. However, large shipments have been made from China via Hong Kong.

Total imports of cycles into Indonesia have risen from \$ 2 million in 1961 to \$ 12 million in 1968 (Table 22). In 1967-68, India's exports were \$0.78 million which went down to \$0.48 million in 1968-69.

India's share can certainly be improved if the shipping problems are removed and the prices are reduced, in that order. This may be a slow process. The market has to be built up through publicity and the personal efforts of the Indian commission agents whose contacts with the concerned Government departments and others are quite considerable. The cycle spare parts and accessories can also have much larger share of the market in future, on the same effort. In the recent years, some of the Indian brands, such as Norton, Hero, Atlas, etc. have become very popular in this country.

These are considered sturdy and are pricewise reasonable. Considering that Indonesia is a brand conscious market and Indian cycles are already well known, with due promotional efforts backed by regular supplies; India can certainly increase its exports considerably.

Iron and Steel Products

In 1969, the total imports of Indonesia in major items were as follows:

	<u>\$ million</u>
Iron Bars	15.6
Iron wires	6.4
Iron tubes	5.7
Iron sheets	15.1
	<u>42.9</u>

In 1967-68, Indian exports of all iron and steel products to Indonesia amounted to \$ 362,000 which increased to \$ 1.5 million in 1968-69. Though the anticipated increase in iron and steel products in Indonesia over its plan period has not been estimated in detail, it is envisaged that the import of capital goods and other raw materials (which include iron and steel products) is likely to go up from \$ 397 million in 1969-70 to \$ 982 million in 1973-74 (Table 25). On this basis, even

a rough estimate would indicate that the import of iron and steel products may go up to about \$ 100 million by 1973-74. Looking to the competitive position of India, it would not be unreasonable to expect an export of at least \$ 5 million by 1973-74. However, this has to match the changing import structure of Indonesia in the coming years. Detailed prospects of some of the important items are discussed below:

Pipes and Tubes: The important competitors to India are the OECD countries, Thailand and Taiwan. Comparative c. & f, rates from some of these sources are given below:

C. & F. Rates - Djakarta

Price in \$
In length of 20 ft.
per unit of 100
metres.

Size	Thailand	Taiwan/Japan	India
1	2	3	4
$\frac{1}{2}$ "	16.29	16.29	17.00
$\frac{3}{4}$ "	21.97	21.97	22.20
1"	32.18	32.16	31.98
$1\frac{1}{4}$ "	41.04	41.04	40.90
$1\frac{1}{2}$ "	53.11	52.11	51.80
2"	65.57	65.57	65.80
$2\frac{1}{2}$ "	92.96	92.96	92.75
3"	109.55	109.55	108.84
4"	182.81		

India exported to Indonesia 914 tons of galvanised steel pipes of value Rs. 974,000 in 1967-68 and 2114 tons of value Rs. 2.3 million in 1968-69.

Major/
Exports from/OECD Countries to Indonesia -
Tubes and Pipes of Cast Iron

Qty. : Tons
Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	34	11	6	2	15	4
Japan	41	24	N.A.	N.A.	1,817	256
Germany F.R.	26	5	940	266	113	16
France	6,284	1,569	1,632	462	2,080	586
Italy	-	-	2,081	740	460	211

Major/
Exports from/OECD Countries to Indonesia - Tubes
and Pipes of Iron and Steel, Welded, etc.

Qty. : Tons
Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
1	2	3	4	5	6	7
U.S.A.	129	41	453	160	412	115
Japan	9,017	1,824	1,318	260	7,095	1,167
Netherlands	247	62	338	56	1,247	224
Germany F.R.	1,816	544	869	339	3,506	708
France	204	142	452	162	152	21
Italy	28	5	979	491	595	609
U.K.	31	9	2	1	171	39

Major/
Exports from/OECD Countries to Indonesia - Tubes
and Pipes of Iron or Steel, Seamless

Qty. : Tons
Value: '000

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	939	322	1,613	481	1,603	530
Japan	5,195	1,123	3,867	1,017	4,468	996
Belgium & Luxemburg	245	58	-	-	396	82
Netherlands	24	17	33	17	39	12
Germany F.R.	1,373	346	1,049	259	5,725	1,199
France	447	159	54	15	1,717	318
Italy	218	56	1,092	306	141	184
U.K.	249	45	249	33	125	46

Major/
Exports from/OECD Countries to Indonesia -
Tubes and Pipe Fittings of Iron and Steel

Qty: Tons
Value: '000

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	163	183	89	143	109	238
Japan	351	336	190	173	238	237
Netherlands	9	4	10	9	20	61
Germany F.R.	175	127	323	174	147	56
France	885	396	310	268	392	206
Italy	8	8	76	139	119	146
U.K.	86	59	33	30	60	33

On several sizes Indian quotations are competitive with the others. But Indian exports have to bear a higher freight rate than the \$ 21.00 per tonne from Bangkok to Djakarta.

What helped the Indian exporter at one time was the cash incentive given to him at home. This was 25 per cent basic and another 5 per cent if he had exported an additional 10 per cent over his 1966-67 figure. But on the credit sale to Indonesia, the Government of India announced that the total subsidy would be only 15 per cent. On this, some exporters from India withdrew and others found the trade not attractive. However, the overproduction in India and the anxiety to keep a market that has already been cultivated have induced the Indian exporters to continue to sell.

Indonesia has a plan to produce galvanized iron and steel pipes of the popular sizes under a project credit. The execution of this project is likely to speed up with the municipalities and public health authorities replacing the existing water supply system. Private construction work also is slowly picking up. To cite

only one instance of the leeway to be made up, the Djakarta water supply system has not been repaired for the last 40 years.

Steel Structurals: MS round bars, rods and others from India are competitive. But, besides the freight constraints, mentioned earlier in reference to pipes, another difficulty in this instance is the lack of knowledge of the importers about the range of Indian products in this category. India sold structurals of Rs. 9 million under the credit terms.

India's Exports of Steel Structurals to
Indonesia

	1967-68		1968-69	
	Quantity (Tons)	Value '000 Rs.	Quantity (Tons)	Value '000 Rs.
Bars and rods	2,653	1,690	13,510	8,370
Angles, shapes and sections (80 mm and more)	-	-	67	43
Angles, shapes and sections (below 80 mm)	99	58	1,100	710

Major/
Exports from/OECD Countries to Indonesia - Bars
and Rods of Iron or Steel Ex-wire Rods

Qty. : Tons
Value : '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	192	42	18	8	22	16
Japan	N.A.	2,986	N.A.	291	N.A.	209
Belgium & Luxemburg	19,318	1,663	8,794	733	868	75
Netherlands	158	37	73	12	92	17
Germany	1,572	242	5,253	760	6,274	916
France	15,335	1,322	1,098	118	2,521	201

Major/
Exports from/OECD Countries to Indonesia -
Iron and Steel Wire excluding Wire Rod

Qty. : Tons
Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
1	2	3	4	5	6	7
U.S.A.	77	43	4	2	119	15
Japan	N.A.	1,507	N.A.	593	-	1,221
Belgium & Luxemburg	202	39	928	90	520	56
Netherlands	29	6	72	11	347	42
Germany F.R.	1,264	176	2,538	311	9,734	1,073
France	6,170	689	386	62	450	49
Italy	184	28	64	16	1	1
Austria	3	2	8	5	40	27

Major/
Exports from/OECD Countries to Indonesia -
Angles, etc., of Iron or Steel, 80 mm or more

Qty. : Tons
Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	70	17	-	-	61	11
Japan	2,567	376	-	-	98	16
Belgium & Luxumburg	1,253	117	-	-	502	43
Netherlands	29	3	-	-	50	5
Germany	1,170	141	-	-	1,783	213
France	481	42	-	-	137	12
Italy	3	4	-	-	50	19
Austria	12	5	-	-	11	6

Major/
Exports from/OECD Countries to Indonesia -
Angles, etc., of Iron or Steel less than 80 mm

Qty. : Tons
Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	5	2	-	-	3	2
Japan	2,023	254	-	-	711	88
Belgium & Luxemburg	1,007	100	-	-	1,082	95
Germany F.R.	2,377	247	-	-	3,191	345
France	174	14	-	-	57	5
Italy	759	72	-	-	30	41

Exports from OECD Countries to Indonesia -
Universal Plates and Sheets of Iron or Steel
Over 4.75 mm.

Qty. : Tons
 Value: '000 \$

	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
Japan	3,924	497	-	-	2,304	283
Belgium & Luxemburg	1,206	132	-	-	1,619	160
Netherlands	124	17	-	-	43	6
Germany F.R.	1,216	143	-	-	2,106	217
France	234	20	-	-	821	79
Italy	289	34	-	-	672	285
U.S.A.	-	-	-	-	613	100

Competition from other sources, particularly Japan and Germany is stiff. But the present advantage such as the marginally low quotation, the almost regular delivery, etc., has created a favourable impression about India and this may be put to great advantage.

In addition, India has a singular advantage over some of its competitors such as the European OECD countries because of its relative geographical nearness to Indonesia and the consequent advantage in shipping time. However, this does not seem to have been put to much use. The normal port of export of steel items is Calcutta and there is at present no direct shipping to Djakarta from that port. Export of such items from Bombay, from where there is direct shipping now, involves overland transport of the export items if they are from the Calcutta region.

Moreover, in the Indonesian Plan 1969-73, the construction programme, public and private, is given high priority.

Capital Goods

Imports of various types of capital goods in Indonesia have been steadily rising in the recent past.

In 1969, Indonesia imported \$ 95 million worth of machinery and another \$ 75 million worth of vehicles including equipment, engines and parts. The total import of these capital goods is expected to grow to \$614 million by 1973-74 but on account of the lack of detailed plans, its mix is not known. However, major increases are likely to take place in the fields of industrial machinery, (such as textile, oil crushing, food processing, mining), transport and railway equipment, electrical generation and distribution equipment, machine tools, irrigation pump sets etc. India's total exports of items in this group amounted to \$ 232 thousand in 1968-69 -mainly non-electrical machinery \$ 119,000, motor vehicles and parts \$ 60,000, and small tools \$ 28,000. If various measures as suggested in this report are implemented for tackling this market and adequate supplies are made available, it is quite feasible to increase our exports to about \$ 8 million by 1974. The major items on which India could concentrate are electrical machinery, industrial machinery, railway equipment, motor vehicles and parts. Discussion on the prospects of some of these items is given below:

Electrical Machinery

By the middle of 1968, the capacity of electricity installed in Indonesia was 633,330 KVA. Of this, 47 per cent was generated by 64 hydro-power units, 19 per cent by 18 steampower units, 28 per cent by 531^{1/} diesel-power units, and 6 per cent by 3 gas-turbine units. In addition, there were also private generating sets for factories or home lighting with an estimate of about 200,000 KVA. However, because of damage, obsolescence or lack of spare parts, only 51 per cent of the installed capacity was effectively utilised in 1966. This was supposed to have increased to 80 per cent by the end of 1968. In the current Five Year Plan, the total fund provided for power development is Rp. 100 billion, to be disbursed mainly on the following basis:

- (a) rehabilitation and expansion of the transmission and distribution networks;
- (b) rehabilitation and construction of power plants, taking into account, a favourable cost-benefit ratio;
- (c) preparation and development of small, isolated electric power plants, using both "micro-hydro" and diesel power;
- (d) institutional improvements and improvements in efficiency;

^{1/} The First Five Year Development Plan: Vol. 2B
op. cit. p. 70.

- (e) research, surveys, and feasibility studies in relation to the planning of the power supply and its tariff structure.

In the Plan, the emphasis is more on improvement and the distribution and transmission network, than on new installations though the latter are not totally neglected. It has been estimated that with this pattern of development, the installed capacity is expected to increase by 425,000 KVA by the end of the plan period. India has very good scope in the supply of distribution equipment (such as transformers, transmission towers, cables, switchgears, etc.) and generating sets. About some of the items, the following discussion will be useful. However, it is necessary to keep a constant watch on the phased programmes as they get formulated. The Indian Embassy should regularly supply the information on these plan details so that our exports could be planned accordingly.

Diesel Generating Sets: Generators from 20 to 200 KVA are popular and are imported mainly from West Germany. The low HP generating sets are used for lighting homes and offices, etc., especially in the remote islands where central electricity distribution has not yet been undertaken.

Industry in indonesia has considerable captive power capacity; the exact extent is not known.

The C. & F. price of a 150 KVA set is about U.S. \$ 11,000. The 50 KVA set is more popular but its price is proportionately high. Import of this size is supposed to have been about 20 sets in 1968. In 1969 Indonesia imported stationary motors worth U.S. \$ 4.6 million. Indian exports of stationary diesel engines in that year amounted to U.S. \$ 20,838 only. Japan is the main supplier of this item, the popular brands being Sanyo, Toshiba, and Dragon.

Exports from Major OECD Countries to Indonesia -
Internal Combustion Engines, not for Aircraft

	Qty. : Tons		Value : '000 \$			
	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	N.A.	2,443	N.A.	1,895	N.A.	3,139
Japan	N.A.	2,406	N.A.	967	N.A.	1,580
Belgium & Luxembourg	N.A.	11	10	76	42	176
Netherlands	480	2,894	442	2,869	730	3,331
Germany F.R.	347	1,622	702	2,710	615	3,056
Italy	111	495	37	249	87	401
U.K.	230	617	N.A.	401	N.A.	330
Sweden	22	141	30	136	25	108
Switzerland	96	498	140	705	67	299
Yugoslavia	153	319	2	14	Neg.	8

Diesel engines are popular. Farmers take 5 to 16 H.P. engines and the government agencies take the higher power range. One importer had taken diesel engines from Kirloskar in 1961 but he now imports from Lister in U.K., Yanmar in Japan and Caterpillar and International Harvester in the U.S.

Prices of engines from these sources are cheaper than from India, but their spare parts are sold at a disproportionately high price. All these suppliers give service after sale and many of them have stationed engineers in Indonesia. Indian exports of diesel engines have been nil in 1967-68 but amounted to \$ 22,000 in 1968-69.

Industrial Machinery

According to First Five Year Plan of Indonesia, the value of Industrial production is expected to rise by 90 per cent over the Plan period. This would be achieved by rehabilitation, new investment and expansion of existing industries. The development of industries is based on the principles as discussed in Chapter I. Out of the contemplated investment of 251 billion Rp. over

the five year period, 46 per cent will go to fertilizers, cement and chemicals, 17 per cent to textiles, another 17 per cent to paper, pulp and newsprint. (Table 29.) India can certainly help in the development of textile, cement, paper and pulp, light and cottage industries, and metal fabricating machinery both through exports and joint ventures. Even in cases where complete machinery is not manufactured in India, she can export such parts as are made in India either under direct exports or in collaboration with third countries. Some of the Indian firms have already started negotiating for the supply of textile machinery and if good impression is created, large scale orders can further be secured not only for textile machinery but in paper, cement and other fields. Side by side, with the industrial investment, there is a very big programme of increasing investment in mining, particularly in oil and natural gas, tin, bauxite, manganese, sulphur and coal. Though investment in some of the mining fields is being taken up by foreign companies on long lease basis, there will be very large imports of mining machinery. India can certainly export some of the mining machinery and equipments to Indonesia.

Railway Equipment

The railways in Indonesia are badly in need of rehabilitation. Bridges, tracks, sleepers, rolling stock (both engines and carriages) and signalling equipment are quite old and most of them are in obsolete condition. Same is the case of the telegraphic and telephone equipment. While no steps had been taken to improve the situation in the past, the demand for these services has been continuously rising. Obviously, the Plan puts heavy emphasis on rehabilitation of tracks and railway bridges, and the repair and modernisation of obsolete rolling stock. There is almost no emphasis on expansion of the railway network. It is planned that over the five year period out of the existing total length of 1,260 km. of four major routes, 1,165 km. will be completely replaced and 715 km. route length will be rehabilitated. In addition, 65 diesel engines, 20 carriages and 400 vans will be replaced or added. Further, the existing rolling stock will need lot of spare parts and equipment to put it in running condition.

Two teams from India, one in 1959 and another in 1964, visited Indonesia to survey the railway requirements with a

view to offering them as many items as possible from India. The Indonesian Government was informed that India could spare the following railway equipments:

1. Diesel and electric locos
2. Coaches
3. Rails and permanent way materials and ancillaries (sleepers)
4. Wagons
5. Machine tools, gauges, etc.
6. Rolled sections of steel
7. Springs, steel plates and rolled sections
8. Train lighting equipment
9. Steel castings
10. Signalling equipment
11. Roller bearing
12. Laminated coiled springs
13. Pressed steel separators
14. Turn tables
15. Points and crossings
16. Paints
17. Aluminium castings and extrusions.
castings
18. Steel fabrications, e.g. bridges, etc.
19. Rubber materials and rubber tyres
20. Aluminium sheets
21. Vacuum and air-break equipment
22. Pipes

Following this offer, there was a proposal for inviting engineers from Indonesia to see for themselves the production ranges and the quality of materials. There was yet another proposal for Indonesia to discuss the extended possibilities of the several items.

It is surprising that none of these items came to be mentioned in the credit list. Apparently, the Government of Indonesia's need for consumer goods was more pressing at that time.

Three countries are now reported to be interested in offering aid to Indonesia for railway rehabilitation - Japan, France and Australia. Japan has already given a \$ 2 million project loan for railway rehabilitation but it is reported that this loan has not been well used. France and Australia have also been considering credit offers to rehabilitate Indonesian railways. India is already in a good position to supply many of the railway equipment items needed for the above programme. Apart from direct exports of some of these items, it is also possible to bid in tenders likely to be invited under international loans.

Machine Tools and Hand Tools:

Japan, Mainland China and East Europe are the main suppliers and Indian price is at least 10 per cent higher. There is supposed to be evidence of 'switch trade' in these items from East Europe. Hungary, Poland are mentioned in this respect.

Exports from Major OECD Countries to
Indonesia - Machine Tools for Working
Metals

	Value: '000 \$		
	1965	1966	1967
U.S.A.	29	35	28
Japan	632	262	152
Netherlands	6	46	77
Germany F.R.	202	1,240	673
France	7	2	44
Italy	21	152	36
U.K.	12	14	28
Switzerland	6	36	105
Yugoslavia	1,209	778	336

Indian export in this group has been only of hand tools. Indian exports of small tools and hand tools in 1968-69 amounted to \$ 28,000 and \$ 19,000 in April-December of 1969. Indonesia has large demand for these items in workshops, small industries, training institutes and other industries. India could certainly step up its exports to \$ 140,000 by 1974 in both these items.

Auto Parts:

The more popular items are accessories for trucks and buses and truck tyres and tubes. This was no doubt included under the credit list but could be sold only to

the extent of Rs. 4.40 lakhs. Major suppliers to this market are U.S.A., Japan and West Germany.

Exports from Major OECD Countries to Indonesia -
Bodies and Parts Motor Vehicles (Ex-Motorcycles)

	Qty. : Tons		Value : '000 \$			
	1965		1966		1967	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	N.A.	2,261	N.A.	1,565	N.A.	3,332
Japan	N.A.	1,331	N.A.	1,095	N.A.	1,334
Netherlands	9	45	13	48	72	121
Germany F.R.	237	618	240	685	669	1,577
France	127	643	12	97	2	8
Italy	243	913	100	394	112	257
U.K.	184	517	182	482	192	565
Yugoslavia	41	196	28	133	27	111

Half of the road vehicles in Indonesia is reported to be more than 10 years' old and about 25 per cent or more to be inoperative. Bad road conditions increase the maintenance and replacement cost and it is likely that the demand for autoparts continues high. Although India has sold recently vehicle equipment worth about Rs. 32 thousand, with proper cultivation of the market, auto parts are a good sale line. In view of the heavy emphasis laid on the development of infrastructure facilities in the plan, apart from parts, India can also hope to sell commercial vehicles.

Other Machinery:

Spare parts for oil mills included under the credit terms are not likely to repeat hereafter but the demand for oil mill machinery itself may. The donor countries have extended BE credit for this item but the Indian export can be aimed to grow appreciably with proper effort. India exported oilseed crushing machinery to Indonesia as per the details below:

	<u>Qty.</u>	<u>1967-68</u>	<u>Qty.</u>	<u>1968-69</u>
		<u>Value</u> ('000 Rs.)		<u>Value</u> ('000 Rs.)
Oilseed crushing machine (Kg.)	12,748	133	47,010	332
Machinery spare parts NES (Kg.)	7,877	154	27,723	242

With growing emphasis on rice production in Indonesia, the demand for rice milling machinery in the countryside is rising fast. There are already enquiries from Indonesian traders for the supply of rice hullers from India. We are already an exporter of this item.^{1/} With the expected increase in demand, in Indonesia, India could export such machinery to this market as well. There is good demand for rice hullers of the capacity of 200 kg. (per hour paddy) and to a lesser extent of 1,000 kg. capacity hullers.

^{1/} In 1968-69, India exported rice milling machinery worth Rs. 98,250 mainly to Iraq, Kenya and Afghanistan.

Other ProductsPharmaceuticals

Imports account for 40 to 50 per cent of the total drug requirements of Indonesia; 50 to 60 per cent of this is being supplied by West and East Europe. Japanese, Australian and Philippine - made drugs also have entered the Indonesian market. U.S. is aggressively marketing its products despite price and brand disadvantage. Import is becoming highly competitive and there are signs of even over-crowding of certain popular items. Part of the import business is by State trading firms, 10 per cent of Indonesia's total drug imports.

The total imports of pharmaceutical preparations in 1969 were of the order of \$ 10 million. In 1968-69, Indian exports were valued at \$ 24,000 only. Although western drugs are popular, Indonesian medicines also hold a fair percentage of the total sales - 10 to 20 per cent. Local production is valued at about \$ 5.8 million and the units are medium and small. Most of these local firms import their raw materials.

The tariff on finished pharmaceutical preparations is 40 per cent and there is no duty on pharmaceutical raw

materials. The prospects of exporting Indian pharmaceutical products are encouraging. Although it will mean a stiff competition with the existing channels of supply, Indian products could move if introduced properly and all channels of publicity are made use of. As drugs and medicines are a necessity, a population of 115 million should definitely be attractive to any intending exporter.

Paper:

Writing and Kraft paper were included in the credit and India exported the following quantities in 1967-68 and 1968-69.

India's Export of Paper to Indonesia

	1967-68		1968-69	
	Quantity (000 kg.)	Value (000 Rs.)	Quantity (000 kg.)	Value (000 Rs.)
Printing paper uncoated	376	592	1,014	1,588
Writing paper uncoated	749	1,248	1,724	2,535
Kraft paper	-	-	28	41

The competitors are Japan, continental countries and U.S. The demand for paper in Indonesia is, at the moment, high because of the low capacity production of the local

units mainly depending on rice straw as their raw material. International help is being provided, especially by West Germany to Indonesia to set up new units for producing both printing paper and newsprint. Several companies are negotiating for concessions and the intending contractors propose to put up paper units. This will nevertheless take time and meanwhile the demand for paper in Indonesia will grow.

In 1969, total imports of various types of paper in Indonesia amounted to \$ 20.8 million, most of which was accounted for by writing paper, packing paper and cigarette paper. (Table 24). Indonesia has plans to develop the local paper industry but it will still continue to import paper in large quantities despite increased local production. It is estimated that Indonesia will import newsprint worth \$ 10 million and other types of paper worth another \$ 10 million by 1973-74. Since India is not in a position to export newsprint, she can certainly export writing paper and other types of paper (such as carbon paper, cigarette paper, etc.) to the extent of \$ 2 million by 1973-74.

Miscellaneous

Apart from the items whose prospects have been discussed above, there are many other products which also have good scope for Indian exports in this market. These include data processing and other statistical equipment, agricultural implements, sprayers, electric pumps for lift irrigation, dyestuffs, tobacco (mainly in years of poor crop) fish products, & fans (particularly ceiling fans in new houses), stationery items, water meters, sewing machines, etc. India can also help the Indonesian Government in some of the development fields in which India has developed expertise. Setting up of industrial training institutes in smaller towns, cattle breeding farms, seed farms, agriculture research stations may be cited as examples.

Problems and Suggestions

The general problems of price competition, quality, shipping delays, payment of commission, etc. affecting export of individual items from India to Indonesia have already been discussed. However, one of the important things to be noted about this market is that India is not at all known as a producer of wide range of industrial products. Even those exporters who have occasionally visited

India has taken very cursory interest in introducing new items in this market. One of the suggestions which could be given effect to at an early date is to invite key Indonesian importers including the Government officers dealing with specific plan projects to India. Arrangements of their visits to important industrial complexes could convince them about the Indian capability in manufacturing lines of high quality products.

In Djakarta, a trade fair is held almost every year. This is a good medium for publicising Indian products. In past, India has participated in such fairs. There have been cases when Indian machines were exhibited in the fair but not demonstrated. The purpose of participation will not be fully served if the machines are taken to the fair and brought back. Similarly, if the pavilion is manned with people who have no knowledge of the machines or their working, this is likely to have an adverse effect. Though it is necessary to participate in the trade fair, it is much more important to take the right type of products and put the right type of experienced people who can explain and demonstrate the functioning of the machines. This should be supplemented by the supply of well prepared

attractive literature explaining the use and other necessary details about the product. The clear objective here should be not only publicising the Indian machines but also securing orders from the local people.

The interested Indian exporters must make aggressive sales efforts in this market. They should fully acquaint themselves with the import structure, rules and regulations and the functioning of the Government departments. Though non-Indonesian citizens are not allowed to import directly, it is possible to canvass business with the importers or commission agents. Some of the foreign firms (particularly Japanese) have already opened their offices in Indonesia and they are in constant touch with the importers and commission agents though they do not directly import goods. They take orders from the importers and arrange the exports directly. However, it may be cautioned that opening of offices in Indonesia initially may prove to be very expensive and therefore unless large volume of business is ensured, it may be enough to have proper contacts with the leading commission agents. Another suggestion which could be useful in publicising Indian products is to bring out special supplements in the local newspapers. These

could be prepared in India and should give detailed information about the range of products manufactured for each industry.

Summing Up

As discussed earlier, Indonesia is set for fast economic progress with considerable international aid and trade. The Government plans provide for nearly doubling of the imports over the plan period. It is expected that the imports (excluding oil) will reach the level of \$ 1439 million by 1973-74. India's current exports to Indonesia are a little over \$ 7 million. The assessment of the prospects of individual products made in this chapter suggests that it is within reach for India to increase its exports to the level of \$ 21 million by 1974 (Table 30). Though this may mean almost a two-fold increase in our exports during a period of five years, it will amount hardly to 1.5 per cent of the total imports of Indonesia. The major export items have been identified and discussed in this chapter. This list, is, however, by no means complete. There are indications that the plan programmes may be modified from time to time which will naturally change the volume and composition of the imports. It is,

therefore, necessary that Indian Embassy should be continuously watchful of these developments and keep the Government of India informed. The Government may in turn arrange to transmit the necessary information speedily to the various concerned agencies. However, this also means that the embassy staff should be properly strengthened so that it is able to function effectively in this large market.

Chapter 7

JOINT VENTURES AND SERVICE CONTRACTS

Foreign Investment Policy

In October 1966, as the part of the policy of stabilization of the domestic economy, the Government announced its policy to invite foreign investment. This^{1/} was intended to provide an opportunity for the foreign investors to participate in the exploitation of the country's natural resources as quickly as possible. This policy is aimed at dispensing with the isolationist policy of the previous regime. As a further step in this direction, the Foreign Investment Law was passed in early 1967. This law offers attractive incentives so that Indonesia could compete with other Asian countries in attracting foreign capital.

Incentives

The specific incentives offered are -

- (a) exemption from corporate tax on profits for a period upto 5 years and exemption from dividend tax on profits during these years;
- (b) full authority to select management personnel and recruit or use technicians and experts for positions where Indonesian manpower is not available;

^{1/} Economic Data for investors in Indonesia, The Central Bank of Indonesia, 1968, p. 34.

- (c) offer of land on advantageous terms carrying with it rights of building and exploitation formerly denied to foreign business enterprises;
- (d) exemption from import duty of equipment, machinery, tools and initial plant supplies; and
- (e) exemption from capital stamp tax of investment capital.

In addition, the Government has the discretion to grant additional benefits by reduction of the corporate tax to a rate which may be anywhere from 50 per cent down to zero for a period not exceeding 5 years after the initial tax holiday period (a) by permitting the investor to offset losses during the exemption period against profits in any ensuing year for tax purposes; (b) and in other ways deemed desirable and appropriate.

A major assurance for foreign investors is the right of transfer in the original foreign exchange of current profits, expenses of foreign employees in Indonesia, depreciation of fixed capital assets, compensation in the event of nationalisation and other costs specified by the Government. There are provisions for encouraging re-investment of earnings in Indonesia by making them also

tax free. Permission to invest will be more easily obtained for projects which earn or save foreign exchange. Projects which may deplete Indonesian foreign exchange will have to show extraordinary benefits to Indonesia to merit the benefits of the present regulations.

In 1967, Indonesia signed a bilateral agreement which enabled the United States to offer insurance to its nationals against losses incurred in Indonesia because of nationalisation, inconvertibility of currency or damage due to war, insurrections, etc. The Government has declared its willingness to discuss similar bilateral agreements with other countries.

By the new provisions Indonesia undertakes not to nationalise any enterprise, nor ~~revoke its ownership rights~~ nor ~~reduce~~ its right of control in management except as required by public interest as determined by an Act of Parliament. If this should occur there is assurance of compensation in conformity with the principles of international law. The Government commits itself to be bound by international arbitration if necessary. The investor is given freedom to suggest arbitration proposals such as by a third party if he considers it suitable for this

purpose; the Government will consider this proposal with sympathy.

The Government has a flexible policy regarding the form of company organisation for its operation in Indonesia. It is normally required that the business unit operating in Indonesia should be separate legal entity registered in Indonesia. However, the Government recognises the legitimate desire of enterprises to conduct their operation in Indonesia as a corporation organised under the law of the parent countries. At present the law in Indonesia on organisation of companies is the Dutch Commercial Code as it existed prior to the independence of Indonesia.

The fields open to foreign capital investment in Indonesia were restricted until 1967; the new provisions throw open most fields of business activity to foreign capital. The exceptions are harbours, public utility, shipping, drinking water, atomic energy and mass media and investment in certain defence fields. Even in these banned sectors foreign capital is invited to participate provided such participation is on an acceptable basis worked out between the investing party and the Government.

The capital eligible for the benefit of the exemptions given above should be equity capital. The capital may take the form of equipment, patents, spare parts or foreign exchange. Loan capital does not receive such benefits.

The Government of Indonesia will determine the location or area for the setting up of plants. The Government of Indonesia also considers it important that Indonesian manpower be developed and used to the extent possible.

The length of time during which a permit under the Foreign Investment Law is valid is limited to 30 years under the Law of 1967. The Government, however, has no fixed policy of taking over foreign enterprises at the end of 30 years but would commit itself to a discussion of the arrangements to govern the operation of the enterprise beyond the first 30 years within 2 years of the end of the first 30 years period.

There is a general guideline that at some suitable time domestic capital be brought into a venture launched as wholly owned by a foreign investor. What is required

is only that an opportunity be provided for the participation of the local capital, no matter at what time. It is unlikely that local capital would be able to furnish more than 5 per cent or 10 per cent of the equity requirements of new ventures in Indonesia and therefore no strong demand on this subject need be anticipated.

Full tax holiday may not be available to any investment of less than U.S. \$ 2.5 million unless local capital participation is also arranged in the venture.

Investors willing to invest a minimum of \$ 2.5 million initially may be granted corporate and dividend tax exemptions for three years if the plant increases foreign exchange earnings for Indonesia or saves foreign exchange by import substitution. The same investment but which will not earn or save foreign exchange may be granted corporate and dividend tax exemptions for two years only. The \$ 2.5 million requirement is expressly waived for joint enterprises with local participation.

In addition, various other tax concessions available to foreign investors are:

- 1) add to or save Indonesia's foreign exchange;

- 2) invest capital outside Djawa, where in general the infrastructure is lacking;
- 3) invest in an enterprise in Djawa that needs extensive expenditure and holds large risks, such as building infrastructure;
- 4) invest their capital in the years 1967 and 1968;
- 5) invest capital in excess of \$ 15 million.

The Indonesian Government's drive to attract foreign capital is not limited to inducing new investments. Two other important forms of attraction are also being used. One is the return of foreign enterprises to their former owners. These enterprises consist mainly of manufacturing units, agricultural estates and processing facilities. Most of these had been taken over at about the time of 'confrontation' with Malaysia. It was then supposed that they would ultimately be nationalised. The new Government, soon after its assumption of office, announced its decision to return the units to their former owners in those cases where the latter agreed to new investment, expansion or modernisation. In 1967, several international firms agreed to the terms proposed by the

Indonesian Government for new investment, etc., and regained control of their properties.

The other attraction provided by the Indonesian Government is designed to restart what are known as 'retarded projects'. These are industrial projects started under the Sukarno regime but given up or halted for lack of funds. When they were set up, it appears there was no proper evaluation of the infra-structure requirement nor was there any assessment of the capital or the know-how required to work them to capacity. These projects are now held open for full foreign participation or as joint ventures with local investors. Several such units have already been offered to and accepted by foreign parties as the concessions under the Foreign Investment Law, made applicable in the case of 'retarded projects' also, have been found to be quite liberal.

Some of the 'retarded projects' that have attracted foreign interest are:

1. Trikora Steel Project at Tjilegon
2. Road Roller Projects, P.N. Barata
3. Diesel Assembly Projects, P.N. Bisma and P.N. Indra.

4. Electric Bulb Project at Semarang
5. Petro-Chemical Complex, Gresik
6. Electric Motors and Generators, P.N. Metrika
7. Paper Projects - Martapura, Atjeh and Batang
8. Plywood Project, Palopo.

Impact of the Policy

In view of the gradual stabilization of the economy, and the formulation of a realistic development Plan, the new investment policy started bearing fruit. In a short period of time Japan and Western countries started taking interest in the development efforts of Indonesia. A foreign investment agreement was signed and is being carried out with Freeport sulphur in west Irian (\$ 70 million) and with International Telephone and Telegraph in Djatiluhur (6 million). By end of 1969, the promised foreign capital investment from various countries included 175 projects with an estimated investment of over \$ 1 billion. Forty-three projects were already in operation while remaining ones were in the process of implementation. The Government expects that during the current Five Year Plan period, at least an amount of \$ 100 million per annum would flow in Indonesia in the form of foreign investment.

^{1/} The Dollar Returns to Indonesia. The Asia Magazine, Hong Kong, March 15, 1970, p.3.

Scope for India

The total scope for foreign investments in Indonesia is large as a whole. The fields vary widely from forestry, fishing mining to manufacturing and the building up of infrastructure. India can take interest in not only helping in the rehabilitation in some of the retarded projects but also in manufacturing lines such as setting up textile, paper sugar and cement mills, steel fabricating and rerolling mills, assembly and manufacturing of bicycles, fans, sewing machines, agricultural implements hand tools and small tools. It is also possible to take contracts for construction of roads, bridges, rehabilitation of railways, power plants etc. particularly those projects which are likely to be financed through international loans. Oil exploration and exploitation is another promising field for Indian interest in this country.

TABLES AND APPENDICES



Table 1INDONESIA: AREA AND POPULATION OF MAIN ISLANDS

(Population in million)

Sl. No.	Island	Area (sq. miles)	1961	1966	1967	1968
1	2	3	4	5	6	7
1.	Kalimantan	208,286	4.12	4.66	4.78	4.91
2.	Sumatra, (including surrounding islands)	182,859	15.80	17.88	18.34	18.82
3.	Sulawesi	72,986	7.12	8.04	8.25	8.47
4.	Java & Madura ^{1/}	51,032	63.23	70.94	72.66	74.44
5.	Other Islands	220,218	7.13	8.07	8.28	8.49
TOTAL		735,381	97.40	109.59	112.31	115.13

^{1/} Includes Halmabera, Seram, Sumbawa, Timor, Flores, Bali, Sombok and West Irian.

Table 2

REGION-WISE POWER GENERATION CAPACITY - (June 1968)

(kWh)

Region	Total		Gas Turbine		Diesel	
	Sta- tion	Capa- city	Units	Capacity	Units	Capacity
1	2	3	4	5	6	7
North Sumatra	19	36,615	1	12,250	75	24,245
South Sumatra	10	34,776	1	12,250	30	21,206
West Kalimantan	8	4,322	-	-	17	4,322
North, Central & South Kalimantan	10	7,842	-	-	26	7,842
North Sulawesi	8	7,372	-	-	16	2,932
South Sulawesi	8	14,457	-	-	18	14,457
Malaku	6	4,292	-	-	29	4,292
Nusa Tenggara	21	6,513	-	-	58	6,513
East Java	25	122,771	-	-	59	20,567
Central Java	28	76,143	1	12,250	61	21,593
East-West Java	11	185,566	-	-	10	2,614
West-East Java	11	133,236	-	-	37	36,861
Atjeh	9	3,742	-	-	27	3,742
West Sumatra	23	13,407	-	-	53	10,325
TOTAL	197	651,054	3	36,750	516	181,511

(Contd.....)

(Table 2 contd.....)

Region	Steam		Hydro	
	Units	Capacity	Units	Capacity
1	8	9	10	11
North Sumatra	-	-	2	120
South Sumatra	-	-	2	1,320
West Kalimantan	-	-	-	-
North Central & South Kalimantan	-	-	-	-
North Sulawesi	-	-	1	4,440
South Sulawesi	-	-	-	-
Malaku	-	-	-	-
Nusa Teng	-	-	-	-
East Java	6	59,482	15	42,722
Central Java	-	-	14	42,300
East-West Java	-	-	27	182,952
West-East Java	6	62,700	6	33,675
Atjeh	-	-	-	-
West Sumatra	6	3,012	1	70
TOTAL	18	125,194	68	307,599

Table 3

NEW POWER PROJECTS TO BE COMPLETED
DURING 1969-72

Project	Location	Type	Capacity (Kw)	Year of completion
Makassar	Sulawesi	Steam	25,000	1969
Palembang	Sumatra	-do-	25,000	1969/70
Medan	Sumatra	-do-	25,000	1971
Semarang	Java	-do-	60,000	1971
Tadjng	Java	-do-	50,000	1971
Priok III				
Tandjung	Java	-do-	50,000	1972
Priok IV				
Djakarta	Java	Gas Turbines	30,000	1970
Pontianak	Kalimantan	Steam	20,000	1972
Rianr Kanan	-do-	Hydro	20,000	1971
Karang Kates	Java	-do-	70,000	1971
Batang Agam	Sumatra	-do-	10,000	1972

Table 4

NATIONAL INCOME OF INDONESIA BY INDUSTRIAL ORIGIN
AT CURRENT PRICES

(Billion Rp.)

Sl. No.	Industry	1959	1964	1965*	1966*
1	2	3	4	5	6
1.	Agriculture, Forestry, Fishery, etc.	165.2	3,616.3	13,386.1	166,479.0
	a) Farm food crops	105.8	2,451.9	8,184.3	107,354.9
	b) Farm Non-food crops	23.2	388.1	2,072.0	17,755.2
	c) Estate crops	9.3	179.5	784.8	7,542.2
	d) Animal husbandry	14.2	190.8	806.8	7,862.2
	e) Forestry & hunting	6.7	123.1	178.6	2,141.8
	f) Fishing	6.0	282.9	1,359.6	23,822.7
2.	Mining & Quarrying	7.8	22.4	36.2	45.4
3.	Manufacturing	35.7	648.1	2,677.6	29,694.2
	a) Large Establishment	11.2	163.8	708.1	7,921.3
	b) Medium Establishment	1.4			
	c) Small Establishment	23.1	484.3	1,969.5	21,772.9
4.	Construction	5.8	135.3	652.3	5,981.6
5.	Electricity & Gas	0.2	4.0	4.5	99.0
6.	Transport & Communication	10.6	108.1	405.3	4,854.1
	a) Rail road transport	0.6	10.6	40.9	550.0
	b) Air transport	0.2	0.4	13.3	139.7
	c) Communication	0.4	1.5	5.7	76.6
	d) Other transport	9.4	95.6	345.4	4,087.8
7.	Wholesale & retail trade	33.1	1,121.5	3,051.2	50,119.0
8.	Banking & other financial Intermediaries.	2.3	45.3	170.3	1,337.7

(Contd....2/-)

Table 4 (Contd...2/-)

1	2	3	4	5	6
a) Banking	1.9	35.5	153.2	1,308.2	
b) Cooperative credit societies	0.1	1.6	0.5	1.0	
c) Others	0.3	8.2	6.6	28.5	
9. Ownership of dwellings	5.8	126.5	462.5	6,042.8	
10. Public administration & defence	15.1	196.3	922.5	19,525.9	
11. Service	17.8	423.3	1,817.1	20,525.9	
a) Personal services	11.5	274.6	1,174.9	13,286.9	
b) Community services	6.0	141.7	605.7	6,869.0	
c) Recreational services	0.3	7.0	36.5	370.0	
12. Net domestic product	299.4	6,447.1	23,585.7	304,668.1	
13. Net Investment Income from abroad	3.5	-4.4	-4.3	-2.1	
14. Net National Product	295.9	6,442.9	23,581.4	304,666.0	

* Note:- Preliminary figures.

SOURCE: Central Bureau of Statistics - Indonesia.

Table 5

NATIONAL INCOME OF INDONESIA BY INDUSTRIAL ORIGIN
AT 1960 PRICES

(Billion Rp.)

Sl. No.	Industry	1959	1964	1965	1966
1	2	3	4	5	6
1.	Agriculture, Forestry, Fishery, etc.	203.2	217.5	224.1	232.0
	a) Farm food crops	127.9	137.5	142.3	148.4
	b) Farm Non-food crops	29.5	32.1	32.7	32.6
	c) Estate crops	12.6	12.0	11.9	12.2
	d) Animal Husbandry	17.4	19.3	19.5	19.8
	e) Forestry & hunting	8.4	6.8	7.5	7.3
	f) Fishing	7.4	9.4	10.2	10.7
2.	Mining & Quarrying	10.2	13.9	14.7	15.4
3.	Manufacturing	48.8	50.7	53.2	52.9
	a) Large establishment)	20.5	18.9	20.0	19.9
	b) Medium establishment)				
	c) Small establishment	28.3	31.8	32.2	33.0
4.	Construction	7.1	7.7	7.9	8.0
5.	Electricity & Gas	0.9	1.4	1.4	1.6
6.	Transport & Communication	12.4	14.0	14.5	14.7
	a) Rail road transport	0.8	0.8	0.8	0.8
	b) Air transport	0.3	0.4	0.4	0.4
	c) Communication	0.4	0.4	0.4	0.4
	d) Other transport	10.9	12.4	12.9	13.1
7.	Wholesale & retail trade	56.8	73.4	74.2	76.8
8.	Banking & other financial Intermediaries	2.9	3.4	3.8	2.8

(Contd....2/-)

Table 5 (Contd....2/-)

1	2	3	4	5	6
a) Banking		2.5	2.8	2.3	2.3
b) Cooperative Credit Societies		0.1	0.1	0.1	0.1
c) Other		0.3	0.5	0.4	0.4
9. Ownership dwelling		7.3	8.6	8.6	8.6
10. Public administration & defence		20.7	12.6	14.6	14.7
11. Service		21.9	24.2	24.9	25.4
a) Personal services		14.1	15.7	16.1	16.4
b) Community Services		7.4	8.1	8.3	8.5
c) Recreational services		0.4	0.4	0.5	0.5
12. Net domestic Product		392.6	427.1	439.9	453.3
13. Net Investment Income from abroad		-3.5	-4.2	-4.3	-4.3
14 Net National Product		389.1	422.9	436.6	440.0

SOURCE: Central Bureau of Statistics - Indonesia

Table 6

NATIONAL INCOME AND PER CAPITA INCOME
OF INDONESIA

Sl. No.		1959	1964	1965	1966
1	2	3	4	5	6
1.	National Income at current prices (billion Rp)	296	6,443	23,581	304,666
2.	National Income at 1960 prices (billion Rp)	389	423	436	449
3.	Mid-year population (millions)	92	103	106	108
4.	Per capita income at current prices (Rp)	3,213	62,431	210,173	2,649,270
5.	Per capita income at 1960 prices (Rp)	4,224	4,099	4,121	4,146

Table 7

PERCENTAGE DISTRIBUTION OF NATIONAL PRODUCT
BY INDUSTRIAL ORIGIN AT 1960 PRICES

Sl. No.	Industry	1959	1964	1965	1966
1	2	3	4	5	6
1.	Agriculture, Forestry, Fishing, etc.	52.2	51.5	51.4	51.7
2.	Mining & quarrying	2.8	3.3	3.4	3.4
3.	Manufacturing	12.6	12.0	12.0	11.8
4.	Construction	1.8	1.8	1.8	1.8
5.	Electricity and gas	0.2	0.3	0.3	0.3
6.	Transport & Communication	3.2	3.3	3.3	3.3
7.	Wholesale & retail trade	14.5	17.3	17.0	17.1
8.	Ownership of dwellings	1.9	2.0	2.0	2.0
9.	Banking & other financial intermediaries	0.8	0.8	0.6	0.6
10.	Public administration & defence	5.3	3.0	3.4	3.3
11.	Services	5.6	5.7	5.7	5.7
12.	Net Domestic Product	100.9	101.0	101.0	101.0
13.	Net Investment Income	- 0.9	-1.0	-1.0	-1.0
14.	Net National Product	100.0	100.0	100.0	100.0

SOURCE: Central Bureau of Statistics - Indonesia.

Table 8

THE STATE DEVELOPMENT BUDGET BY FIELDS
AND SECTORS 1969/70 AND 1969/70 - 1973/74

(In billions of rupiah,
end of 1968 prices)

Field/Sector	1969/70	1969/70 - 1973/74
<u>A. Economic Field</u>	<u>94.4</u>	<u>829</u>
1. Agriculture and Irrigation	35.1	319
2. Industry and Mining	18.3	130
3. Electric Power	10.9	100
4. Communication and Tourism	27.1	230
5. Rural	3.0	50
<u>B. Social Field</u>	<u>19.6</u>	<u>172</u>
1. Health and Family Planning	4.6	42
2. Education and Culture	10.5	95
3. Other social fields	4.5	35
<u>C. General Field</u>	<u>9.3</u>	<u>58</u>
1. Defence and Security	4.0	28
2. Other general fields	5.3	30
<u>T o t a l</u>	<u>123.2</u>	<u>1,059</u>

SOURCE: The First Five-Year Development Plan (1969/70 to 1973/74) Vol. 1, P. 41, Department of Information, Republic of Indonesia, Dec. 1968.

Table 9

PHYSICAL TARGETS OF THE FIVE-YEAR DEVELOPMENT
PLAN

Sector	Unit	1969/70	Target 1973/74	Increase in-per- centage
1	2	3	4	5
<u>Agriculture</u>				
Rice	Million tons	10.52	15.42	46.5
Cil palm				
- oil	Thousand tons	172	275	59.8
- kernels	Thousand tons	41	68	65.8
Sugar	Thousand tons	677	907	33.9
Copra (State Est.)	Thousand tons	1.1	1.5	36.5
Cacao (State Est.)	Tons	815	1,625	99.3
Corn	Million tons	3.37	4.23	25.5
Pulses	Million tons	0.95	1.40	47.3
Vegetables & Fruits	Million tons	8.30	11.20	34.9
Edible Roots	Million tons	15.66	18.09	15.5
Fish	Thousand tons	1,423	1,969	38.3
Wood	Thousand cu. m.	2,900	7,900	172.4
Milk	Million Kgs.	2.04	5.09	149.5
Meat	Million Kgs.	64.34	107.90	67.7
Eggs	Million Kgs.	4.69	15.12	222.3
<u>Mining</u>				
Crude Oil	Million barrels	293	440	50.1
Tin	Metric tons	16.16	19.4	19.9
Bauxite	Thousand tons	1,000	1,200	20

(Contd....)

Table 9 (Contd....2)

	1	2	3	4	5
<u>Industry</u>					
Textile	Million tons	450	900	100	
Fertilizers					
- N	Thousand tons	46.5	403.5	767	
- P	Thousand tons	18 (1971)	168	833	
Cement	Thousand tons	600	1,050	175	
Newsprint	Thousand tons	16	166.5	940.6	
<u>Electric power</u>	Thousand KVA	659	1,084	64.4	
<u>Communications</u>					
Telecommunication					
- Number of					
- telephones	Thousands	177.1	257.5	45.4	
- Post Offices		774	784	1.3	
- Post houses		1,418	1,708	20.5	
Rehabilitation of					
Railroads	Kilometres	-	715	-	
			(in 5 years)		
Number of diesel					
locomotives.		285	341	19.6	
Rehabilitation of	Kilometres	-	11,225	-	
roads			(in 5 years)		
Upgrading of roads	Kilometres	-	6,000	-	
			(in 5 years)		
<u>Health</u>					
Community Health		1,227	4,216	243.6	
Centre					

(Contd...)

Table 9 (Contd...3/-)

1	2	3	4	5
Clinics		6,800	8,000	17.6
Maternal/Child Health Clinics		5,600	7,500	33.9
Complete Family-Planning Clinics		300	1,200	300

Education :

SMP in comparison with
secondary technical
schools/vocational
schools

100:80(1967) 100:98

SMA in comparison with
technical high schools/
vocational schools

100:84 100:112

SOURCE: Same as of table 8.

Table 10

THE STATE DEVELOPMENT BUDGET AND FINANCING
OUTSIDE THE DEVELOPMENT BUDGET BY SECTORS 1/
1969/70 - 1973/74.

(In billions of rupiah,
end of 1968 prices)

Sectors	1969/70 - 1973/74		
	Develop- ment - Budget	Others	Total
1. Agriculture and Irrigation	319	76	395
2. Industry and Mining	130	250	380
3. Communication and Tourism.	230	35	265
T o t a l	679	361	1,040

- 1/ Only for those sectors that obtain additional financing outside the development budget, i.e., Agriculture and Irrigation, Industry and Mining, Communication and Tourism.

SOURCE: Same as of Table 8 p. 45

Table 11IMPORTS AND EXPORTS OF INDONESIA

(Million \$)

Year	Imports	Exports	Balance of Trade
1955	631	946	315
1956	860	926	66
1957	803	954	151
1958	544	791	247
1959	482	931	449
1960	578	841	263
1961	796	788	- 8
1962	647	664	17
1963	522	696	174
1964	690	724	34
1965	718	708	-10
1966	573	679	106
1967	649	658	9
1968	712	691	-21

SOURCE: (1) For imports and exports 1955-1966: United Nations - Yearbook of International Trade Statistics, 1967, p. 389.

(2) For imports and exports 1967 and 1968: Indonesian Financial Statistics, October 1969, Bank Indonesia.

Table 12

BALANCE OF PAYMENTS

(Million \$)

year	Balance of Trade (Export-Import)	Balance of Trade of Services (Export- Import Services)	Capital inflow	Deficit
	1	2	3	4
1955	382	97	8	- 89
1956	99	- 167	38	124
1957	196	- 85	56	29
1958	160	- 65	62	3
1959	235	25	117	- 142
1960	132	- 84	180	- 96
1961	- 290	- 521	353	168
1962	- 26	- 248	80	168
1963	54	- 228	86	142
1964	42	- 230	142	88
1965	24	- 240	91	157
1966	106	- 123	N.A.	N.A.
1967	9	- 283	N.A.	N.A.
1968	21	- 253	N.A.	N.A.

- SOURCES: 1. From 1955 to 1965: Economic Data for Investors in Indonesia, Central Bank of Indonesia (Bank Negara Indonesia Unit I) 1968, page 87, table 29.
2. From 1966 to 1968: Column 1: As in Table 11. Column 2: Annual Report 1969, International Monetary Fund, Washington, page 98.

Table 13

VALUE OF EXPORTS
(BY COMMODITY GROUPS)

('000 US \$)

	1966	1967	1968
Animal & Products	4.9	6.3	7.6
Vegetable Products	405.0	333.6	333.2
Estate products	176.6	125.5	121.7
Farm products	221.5	198.4	194.6
Forest products	3.1	2.9	5.2
Wood	3.5	6.2	11.1
Other	.3	.6	.6
Mineral Products	236.8	292.4	335.5
Other Products	31.9	25.5	14.9
TOTAL EXPORTS	678.6	657.8	691.1

Note: Data converted from Rupiah: 1966-1967 US \$ 1 = Rp.10

SOURCE: Indonesian Financial Statistics, Oct.-Nov. 1970,
Bank Indonesia.

Table 14

VALUE OF EXPORTS
(Principal Commodities)

(Million \$)

	1966	1967	1968
Rubber	223.28	166.49	165.98
Copra	15.10	13.33	24.19
Tea	17.19	9.62	15.34
Coffee	32.65	44.93	42.97
Tobacco	23.90	14.62	13.68
Palm kernels	3.79	3.89	4.40
Palm Oil	33.40	23.22	18.33
Pepper	15.44	18.04	13.39
Tapioca	0.01	0.02	-
Hard cordage fibres	0.59	0.78	0.15
Kapok	0.56	0.38	0.38
Cinchona bark	0.52	0.67	0.27
Quinine	1.37	0.01	0.81
Crude petroleum	144.62	194.42	258.61
Petroleum products	58.80	43.49	33.06
Tin ore	30.65	48.72	25.82
Tin concentrate	1.39	2.52	13.11
Other	75.34	72.58	60.64
Total	678.60	657.80	691.13

Note: Data converted from Rupiah: 1966-67 : \$ 1 = Rp. 10.

SOURCE: Indonesia Financial Statistics, Oct.-Nov-1970,
Bank Indonesia.

Table 15EXPORT BY COUNTRIES OF DESTINATION

(Million \$)

	1966	1967	1968
<u>EUROPE</u>	270.21	208.73	141.42
United Kingdom	15.95	23.92	9.38
Germany	77.14	55.12	48.03
Netherlands	94.06	79.86	43.59
Belgium-Luxemburg	13.85	8.89	9.95
Italy	9.01	6.42	5.04
France	12.60	7.40	3.02
U.S.S.R.	25.91	14.79	16.64
Yugoslavia	3.81	0.35	-
East Europe	16.55	10.53	4.30
Other	1.33	1.45	1.47
<u>AMERICA</u>	143.63	103.73	115.00
U.S.A.	138.38	101.46	112.70
Latin America	5.18	2.11	2.21
Other	0.07	0.16	0.09
<u>AFRICA</u>	1.47	1.15	1.20
<u>ASIA</u>	201.81	272.17	360.19
India	-	-	0.04
Malaysia-Penang	-	1.42	27.66
Singapore	18.01	64.78	115.70
Hong Kong	13.81	12.89	9.23
Japan	121.10	155.62	172.15
Pakistan	5.78	1.52	0.05
Burma	0.24	0.02	-
Iraq	0.91	0.84	-
Thailand	3.86	6.52	5.60
Philippines	22.14	22.05	24.23
Mainland China	0.45	0.68	0.04
Other	6.51	5.83	5.49

(Contd...)

Table 15 (Contd....2/-)

	1966	1967	1968
AUSTRALIA	61.43	72.02	73.32
OTHER	-	-	-
Total Export	678.55	657.80	691.13

Note: Data converted from Rupiah: 1966-67 US \$ 1 - = Rp. 10.

SOURCE: Indonesian Financial Statistics, Oct.-Nov. 1970,
Bank Indonesia.

Table 16

INDONESIA: IMPORTS OF SELECTED CONSUMER
GOODS

Qty. : '000 tonnes
Value : Million
Rupiahs

	1959		1964		1965	
	Qty.	Value	Qty.	Value	Qty.	Value
Rice	607.9	369.4	1084.7	7377.0	818.7	5974.4
Wheat Flour	93.6	97.9	31.3	181.6	32.4	173.6
Fish dried & salted	15.0	26.8	0.4	5.9	-	1.1
Milk & Cream	12.9	56.8	10.0	156.9	2.8	76.6
Pharmaceutical Preparations	0.8	37.1	1.2	156.5	1.7	183.7
Textile Fabrics	11.7	173.9	7.8	546.1	3.3	266.6
Underwear	-	1.0	0.8	45.2	-	2.5
Cycles	4.3	28.0	2.6	64.4	4.1	108.7
TOTAL: 1. In rupiahs		1265.7		8553.6		6787.2
2. In dollars		111.0		190.0		150.8

SOURCE:- Statistical Pocketbook of Indonesia.

Conversion Rates: For 1959 - 11.40 rupiahs per US dollars.
" 1964 and 1965 - 45 rupiahs per dollar

INDONESIA: IMPORTS OF SELECTED RAW MATERIALS
& AUXILIARY GOODS

Qty : '000 tonnes
Value : Million Rupiahs

	1959		1964		1965	
	Qty.	Value	Qty.	Value	Qty.	Value
1	2	3	4	5	6	7
Fertilizers	254.6	156.1	184.4	439.2	178.7	691.3
Cloves	6.3	54.7	8.9	234.3	4.6	169.1
Tobacco	1.2	18.7	-	-	-	-
Chemical & Pharmaceutical Products	89.1	286.3	79.9	867.0	79.6	888.4
Cardboard, News- print and writing paper	43.8	99.7	56.0	392.5	50.1	510.5
Cotton	6.5	49.5	4.4	116.5	13.0	464.8
Weaving Yarns	30.2	356.7	29.2	1463.4	45.6	2177.0
Textile Fabrics	9.1	156.4	7.8	546.1	14.9	1155.5
Cement	310.7	85.4	176.9	187.2	345.5	341.5
Uncoloured Window Glass	10.9	9.3	12.3	53.7	22.6	98.7
Iron & Steel in Plates	77.6	145.1	38.9	291.6	47.8	461.1
Concrete Steel	36.0	43.8	32.8	161.2	72.0	1334.0
Iron & Steel in Bars	26.6	36.5	36.9	218.0	36.9	218.7
Iron Tin Plates	30.1	61.5	13.7	107.6	4.6	35.0

(Contd.....)

Table 17 (Contd...2)

	1	2	3	4	5	6	7
Screws, Screw bolts, Mountings and the likes		3.3	20.8	8.3	132.3	16.6	77.8
Wire nail & spikes		3.0	5.9	1.8	18.5	2.2	14.5
Packing Paper		16.3	42.0	8.5	431.8	9.3	96.7
Bags for packing		26.7	68.5	13.1	182.8	0.3	5.6
Paint and Dyes		13.9	98.8	13.7	353.1	10.2	428.9
TOTAL: 1. In Rupiahs			1795.7		6196.8		9169.5
2. In Dollars			157.5		137.7		203.7

SOURCE: Statistical Pocketbook of Indonesia.

Conversion Rates : For 1959-11.40 rupiahs per dollar.

For 1964 and 1965 - 45 rupiahs per dollar.

Table 18

INDONESIA : IMPORTS OF SELECTED CAPITAL GOODS

Qty. : '000 tonnes
Value : Million Rupiahs

	1959		1964		1965	
	Qty.	Value	Qty.	Value	Qty.	Value
Iron & Steel pipes	48.4	139.0	18.7	343.1	22.3	289.1
Machines for industrial & commercial purposes	17.1	229.6	28.6	1684.0	29.4	1705.1
Power machines internal combustion and explosion motor	3.4	89.6	34.8	531.9	7.1	982.1
Dynamic electro motors & transformers	0.8	15.7	2.4	180.5	1.5	323.2
Motor vehicles	17.1	223.8	34.3	1942.7	1.1	83.9
Railway equipment	3.6	48.2	7.8	73.8	11.2	593.4
Air vessels	4.0	4.6	0.9	40.4	0.1	11.3
Total: 1. In Million Rupiahs		750.5		4797.3		3988.1
2. In Million Dollars		65.8		106.6		88.6

SOURCE: Statistical Pocketbook of Indonesia.

Conversion Rates: For 1959 = 11.40 rupiahs per dollar.
For 1964 and 1965 = 45 rupiahs per dollar.

Table 19

INDONESIA'S IMPORTS BY MAJOR
COUNTRIES

(Value Million Rupiahs)

Country	1959		1964		1965	
	Imports	%	Imports	%	Imports	%
Australia	95.29	1.82	N.A.	-	N.A.	-
Belgium-Luxemburg	127.88	2.44	N.A.	-	N.A.	-
Burma	324.79	6.21	N.A.	-	N.A.	-
China-Mainland	697.63	13.34	N.A.	-	N.A.	-
Czechoslovakia	34.05	0.65	N.A.	-	N.A.	-
France	88.40	1.69	N.A.	-	N.A.	-
Germany F.R.	608.19	11.63	3,872.3	13.78	2,795.6	8.65
Hong Kong	147.81	2.83	682.8	2.43	633.9	1.96
Italy	52.31	1.00	N.A.	-	N.A.	-
Japan	782.77	14.97	6,423.7	22.87	8,221.2	25.43
Singapore	95.77	1.83	9.0	0.03	1.2	-
Thailand	59.84	1.14	N.A.	-	N.A.	-
U.S.S.R.	28.64	0.55	N.A.	-	N.A.	-
U.K.	346.44	6.62	2,605.7	9.27	1,229.5	3.80
U.S.A.	838.09	16.03	4,467.2	1.66	2,952.3	9.13
Malaysia	-	-	1.0	0.004	8.4	0.03
India	125.62	2.40	535.2	1.90	167.4	0.52
Total (of above)	4,453.52	85.17	14,596.9	51.97	16,009.5	49.53
Total (All)	5,228.66	100	28,086	100	32,320.7	100

SOURCES: 1. Yearbook of International Trade Statistics for 1965 and 1966.

2. Statistical Pocket-book of Indonesia 1964-67

N.A. : Data not available.

Table 20INDONESIA'S EXPORTS BY MAJOR COUNTRIES(Value = Million
Rupiah)

Country	1959		1964		1965	
	Exports	%	Exports	%	Exports	%
Australia	349	4	570	8	560	8
Belgium -Luxembourg	237	2	140	2	96	1
China-Mainland	605	6	522	7	400	6
German F.R.	592	6	464	6	542	8
Japan	379	4	122	2	1,120	16
West Malaysia	365	4	-	-	-	-
Singapore	2,261	23	-	-	-	-
U.S.S.R.	177	2	228	3	263	4
U.K.	2,177	22	216	3	60	1
U.S.A.	1,628	16	1,744	24	1,584	22
India	36	1	68	1	16	-
Total (of above)	8,806	89	4,074	56	4,611	66
TOTAL	9,944	100	7,242	100	7,066	100

For 1959 = In Million Rupiah Old Currency
 For 1964 & 1965 = In Million Rupiah New Currency.

SOURCE: Year Book of International Trade Statistics for
 1965 and 1966.

Table 21IMPORTS OF RICE

Qty. : (000 tonnes
Value : Million-Rupiahs)

Country --of-- Origin	1959		1964		1965	
	Qty.	Value	Qty.	Value	Qty.	Value
U.S.A.	17.4	29.4	187.7	1310.9	94.4	632.3
Brazil	47.9	63.4	-	-	15.9	81.5
U.A.R.	2.7	4.0	50.3	360.3	20.0	102.7
Burma	23.9	329.5	229.1	1600.4	202.6	1803.4
Thailand	35.0	55.4	391.9	2721.7	291.1	2322.7
China	266.7	383.7	177.6	1018.4	173.4	918.7
Indo-China	3.2	3.8	32.2	242.4	10.1	51.8
Others	0.1	0.2	16.9	122.9	11.2	61.3
Total: 1. In Million Rupiahs	607.9	869.4	1084.7	7377.0	818.7	5974.4
2. In Million dollars		76.3		163.9		132.7

SOURCE:- Statistical Pocketbook of Indonesia.

Conversion Rates: For 1959 - 11.40 Rupiahs per dollar.

For 1964 and 1965 - 45 Rupiahs per dollar

Table 22

IMPORTS C.I.F. BY COMMODITY GROUPS AND
PRINCIPAL COMMODITIES

(Million US \$)

	1966 1/	1967	1968
<u>RAW MATERIALS</u>	180	237	245
Chemical & pharmaceutical products	7	41	19
Fertilizers	11	21	30
Paints	6	6	8
Packing paper	-	-3	-
Newsprint, Writing Paper & Cardboard	7	10	13
Cotton	5	8	6
Yarns	28	14	25
Textile fabrics	27	28	27
Cement	4	5	5
Concrete iron	5	1	1
Iron & Steel bars	5	2	1
Iron & Steel plates	7	12	16
Tinplates	1	1	2
Packing bags	-	8	4
Other	67	77	88
<u>CAPITAL GOODS</u>	122	181	202
Iron & Steel pipes	5	6	9
Machines	27	35	51
Motors (Internal Combust)	12	13	19
Electro motors & Transformers	2	10	3
Motor vehicles	27	16	20
Railway equipment	3	1	4
Other	46	100	96

(Contd...2/-)

Table 22 (Contd....2/-)

	1966 1/1	1967	1968
CONSUMERS GOODS	225	231	265
Rice	58	14	95
Wheat flour	5	17	37
Milk & Cream	3	5	6
Pharmaceutical preparation	7	9	11
Textile fabrics	40	33	7
Underwear	4	3	1
Cycles	2	6	12
Other	106	144	96
TOTAL IMPORTS:	527	649	712

Notes: 1. Data converted from Rupiah: 1966-1967 US \$ 1. =Pp.

2. The totals in this table do not tally with those given in Table 11 since the figures given in this Table are based on L/C. drawn.

SOURCE: Indonesian Financial Statistics Oct-Nov. 1970
Bank Indonesia.

Table 23

IMPORTS
(BY COUNTRIES OF ORIGIN)

	(Million \$)		
	1966	1967	1968
<u>EUROPE</u>	175	209	212
United Kingdom	13	22	19
Germany	48	81	70
Netherlands	26	48	49
Belgium-Luxemburg	3	3	1
Italy	30	16	22
France	10	7	17
U.S.S.R.	6	5	4
Yugoslavia	11	8	7
Eastern Europe	22	11	11
Other	6	8	12
<u>AMERICA</u>	51	54	118
U.S.A.	49	52	115
Latin America	1	-	3
Other	1	2	-
<u>AFRICA</u>	7	11	24
<u>ASIA</u>	290	361	337
India	7	8	12
Malaysia-Penang	-	1	4
Singapore	1	17	32
Japan	141	182	158
Hong Kong	49	60	32
Pakistan	9	7	13
Burma	13	3	5
Iraq	-	-	-

(Contd.2)

Table 23 (Contd...2)

	1966	1967	1968
Thailand	26	8	7
Philippines	-	1	7
Mainland China	41	54	40
Other	3	20	27
<u>AUSTRALIA</u>	4	14	21
TOTAL IMPORTS	527	649	712

Note: Data converted from Rupiah: 1966-1967 US \$ 1 = Rp.10

SOURCE: Indonesian Financial Statistics, Oct. Nov. 1970,
Bank Indonesia.

Table 24

COMMODITY COMPOSITION OF IMPORTS, AND
SOURCES OF FINANCE 1969 1/

	(Million \$)			
	1969			
	Financed		By	Total
	Export BE	Program aid	D.P.	
<u>FOOD AND BEVERAGES</u>	<u>76.0</u>	<u>74.3</u>	<u>1.0</u>	<u>151.3</u>
Milk preparations	2.3	1.7	-	4.0
Other dairy products	0.4	0.3	0.3	1.0
Rice	47.2	61.2	-	108.4
Wheat flour	9.9	5.6	-	15.5
Bulgur Wheat	0.8	5.1	0.5	6.4
Other cereal products	0.4	0.1	-	0.5
Sugar	11.3	-	-	11.3
Other	3.7	0.3	0.2	4.2
<u>CHEMICAL PRODUCTS</u>	<u>72.4</u>	<u>29.8</u>	<u>7.1</u>	<u>109.3</u>
Caustic soda	1.1	0.1	-	1.2
Calcium carbide	1.0	-	-	1.0
Plastic materials	9.2	2.0	0.2	11.4
Coloring materials (from coal tar)	6.7	0.5	-	7.2
Other coloring materials	3.6	0.8	0.2	4.6
Fertilizers	13.0	19.3	0.4	32.7
Insecticides, disinfectants	7.3	2.9	0.1	10.3
Pharmaceutical products	8.3	1.7	-	10.0
Perfumes and soap	3.1	-	0.1	3.2
Films	1.0	-	-	1.0
Other	18.1	2.5	6.1	26.7
<u>PAPER AND PRINTED MATTER</u>	<u>15.7</u>	<u>4.4</u>	<u>0.7</u>	<u>20.8</u>
Writing paper	4.1	3.2	-	7.3
Newsprint	1.7	0.4	-	2.1
Packing paper	3.0	0.3	0.2	3.5
Cigarette paper	2.9	-	-	2.9
Other	4.0	0.5	0.5	5.0

(Contd....2)

Table 24 (Contd...2)

	1969			
	Financed		By	Total
	Export BE	Program aid	D.P.	
<u>TEXTILES AND CLOTHING</u>	<u>79.3</u>	<u>42.6</u>	<u>2.7</u>	<u>124.6</u>
Raw cotton	1.4	22.9	-	24.3
Cotton yarn	26.1	14.6	-	40.7
Man-made fibres	18.9	2.0	-	20.9
Other yarn	3.1	0.1	-	3.2
Cotton fabrics (piece goods)				
Unbleached				
Cambrics, bleached				
Shirting, bleached				
Other bleached	21.8	2.0	0.1	23.9
Dyed				
Printed				
Other				
Cotton fabrics (other)	0.7	0.5	-	1.2
Man-made fiber fabrics	-	-	0.5	0.5
Gunny bags	1.6	-	-	1.6
Footwear	0.5	-	0.1	0.6
Other	5.2	0.5	2.0	7.7
<u>MINERAL PRODUCTS</u>	<u>14.1</u>	<u>5.0</u>	<u>0.9</u>	<u>20.0</u>
Cement	6.6	2.9	-	9.5
Asphalt	2.2	1.2	0.5	3.9
Ceramic products	0.1	0.2	0.1	0.4
Glass, glassware	2.9	0.3	0.1	3.3
Other	2.3	0.4	0.2	2.9
<u>BASE METALS</u>	<u>54.8</u>	<u>10.0</u>	<u>5.7</u>	<u>70.5</u>
Iron bars	15.0	0.6	-	15.6
Iron wires	4.4	2.0	-	6.4
Iron tubes	4.5	0.7	0.5	5.7
Iron sheets	9.2	3.6	2.3	15.1
Alumin. (semi-finished)	5.0	1.0	0.1	6.1
Other metals (semi-finished)	6.3	1.3	1.5	9.1
Hardware (including nails, etc.)	2.1	0.2	-	2.3

(Contd....3/-)

Table 24 (Contd....3)

Y	1969			
	Financed		By	
	Export B.E.	Program aid	D.P.	Total
Iron tools	2.8	0.3	0.2	3.3
Other manufactured goods	2.8	0.2	-	3.0
Other	2.7	0.1	1.1	3.9
<u>MACHINERY</u>	<u>65.5</u>	<u>25.1</u>	<u>4.4</u>	<u>95.0</u>
Steam engines and boilers	1.7	0.8	-	2.5
Stationary motors	4.1	0.5	-	4.6
Road rollers	0.7	2.1	-	2.8
Pumps, lifting, mining machinery	4.6	1.1	0.9	6.6
Compressors	1.9	0.3	0.1	2.3
Machine tools	1.6	0.4	-	2.0
Machines (food industry)	3.1	2.9	-	6.0
Machines (textile industry)	5.5	2.1	-	7.6
Machines (office)	2.8	0.1	-	2.9
Household appliances	4.1	0.4	0.5	5.0
Scientific, medicinal instruments	3.0	0.1	0.6	3.7
Railway equipment (signaling)	2.6	-	-	2.6
Generators, trans- formers	3.0	0.6	0.6	4.2
Telecommunication equipment				
Consumption goods }	6.9	3.5	0.9	11.3
Capital goods }				
Insulated wires and cables	2.4	1.1	-	3.5
Other non-electrical machinery	14.3	8.5	-	22.8
Other electrical machinery	3.1	0.5	-	3.6
Other	0.1	0.1	0.8	1.0

(Contd....4)

Table 24 (Contd.. 4)

	1969			
	Financed by			Total
	Export B.E.	Program aid	D.P.	
<u>VEHICLES</u>	<u>52.6</u>	<u>13.9</u>	<u>3.5</u>	<u>76.0</u>
Railway engines	1.8	0.4	0.4	2.6
Motor cars	2.5	1.0	0.4	3.9
Tractors, trucks, buses	10.3	9.9	0.5	20.7
Motor car engines	1.2	0.9	0.1	2.2
Motor car tyres	3.0	1.3	-	4.3
Motor car other parts	4.6	2.7	0.6	7.9
Motor cycles (including parts and tyres)	1.0	0.1	0.5	1.6
Bicycles (including parts and tyres)	8.4	2.3	0.2	10.9
Aircraft engines	13.8	0.2	0.6	14.6
Marine engines	5.0	0.7	0.2	5.9
Electric equipment for vehicles	1.0	0.4	-	1.4
<u>OTHER</u>	<u>54.1</u>	<u>0.9</u>	<u>6.7</u>	<u>61.7</u>
Cloves	6.8	-	-	6.8
Tobacco	6.2	-	0.8	7.0
Precious metals & stones	-	-	-	-
Combustibles and fuels	-	-	4.1	4.1
Miscellaneous	<u>41.1</u>	<u>0.9</u>	<u>1.8</u>	<u>43.8</u>
TOTAL	484.5	212.0	32.7	729.2

SOURCE: Data supplied by the Indonesian authorities.

1/ Derived from statistics of letters of credit opened, excluding free imports, project aid imports and oil sector imports.

Table 25IMPORT PROJECTION, 1969/70 - 1973/74

(f.o.b. in million \$)

	1969/ 70	1970/ 71	1971/ 72	1972/ 73	1973/ 74
<u>A. Food Produce</u>	<u>176</u>	<u>157</u>	<u>131</u>	<u>96</u>	<u>67</u>
1. Rice	106	88	63	29	-
2. Wheat-flour	50	48	46	43	42
3. Other food produce	20	21	22	24	25
<u>B. Raw/Supplementary Materials</u>	<u>335</u>	<u>437</u>	<u>539</u>	<u>628</u>	<u>680</u>
1. Fertilizer	72	79	92	80	50
2. Yarn	41	46	52	59	66
3. Raw cotton	26	34	37	44	52
4. Chemical Material/ Equipment	54	96	102	111	124
5. Newsprint	19	16	12	12	10
6. Paper	1	1	2	2	10
7. Other Raw Material	122	195	242	320	368
<u>C. Capital Goods</u>	<u>275</u>	<u>362</u>	<u>453</u>	<u>527</u>	<u>614</u>
<u>D. Other Goods</u>	<u>20</u>	<u>102</u>	<u>71</u>	<u>59</u>	<u>77</u>
T o t a l	<u>876</u>	<u>1,058</u>	<u>1,194</u>	<u>1,310</u>	<u>1,439</u>

*/ Excluding Oil.

SOURCE: The First Five Year Development Plan (1969-70 - 1973-74), Vol. I; Department of Information, Republic of Indonesia, p. 86.

Table 26

PROJECTION OF THE BALANCE OF PAYMENTS 1969/70 -
1973/74

(Million \$)-

	1969/ 70	1970/ 71	1971/ 72	1972/ 73	1973/ 74
I. Exports (f.o.b. including net foreign exchange earnings from oil)	672	775	784	827	924
II. Imports (f.o.b. including oil)	-876	-1058	-1194	-1310	-1438
III. Services (excluding oil)	-197	-237	-281	-320	-362
Balance of current transactions	-401	-520	-691	-803	-876
IV. Repayment of foreign debt (excluding oil)	- 58	-179	-203	-202	-205
V. Capital required	459	699	894	1005	1081
a. Public sector	402	613	780	862	910
b. Private sector	57	86	114	143	171

Situation if the debt repayments are fully postponed:

Balance of current transactions	-401	-520	-691	-803	-876
IVa. Repayment of foreign debt (excluding oil)	- 58	--	--	--	--
Va. Capital required	459	520	691	803	876
a. Public sector	402	434	577	660	705
b. Private sector	57	86	114	143	171

SOURCE: As in Table 25, p. 92.

Table 27INDIA'S TRADE WITH INDONESIA

(Rs. million)

Year	Indian Exports	Indian Imports	Trade Balance
1958	28.8	33.1	- 4.3
1959-60	48.5	40.1	+ 8.4
1960-61	31.1	35.7	- 4.6
1961-62	69.9	17.8	+52.1
1962-63	40.5	13.7	+26.8
1963-64	24.1	16.9	+ 7.2
1964-65	19.4	26.6	- 7.2
1965-66	8.1	22.2	-14.1
1966-67	10.7	0.8	+ 9.9
1967-68	58.6	1.1	+57.5
1968-69	55.5	1.4	+54.1

SOURCE: Monthly Statistics of Foreign Trade - Government of India.

Table 28COMPOSITION OF INDIA'S EXPORTS TO INDONESIA

Commodity	(Rs. thousand)	
	1967-68	1968-69
Textiles (non-jute)	17,085	15,583
Jute textiles	23,844	6,917
Fish & fish products	-	759
Iron and steel products	2,719	11,505
Non-electrical machinery	1,179	894
Diesel engines	-	165
Motor vehicles and parts	-	451
Bicycles and parts	5,873	3,650
Rubber tyres and tubes	368	-
Small tools and hand tools	-	210
Medicinal & pharmaceuticals	113	180
Tobacco	-	3,742
Cinematographic films	360	53
Shellac	510	188
Paper & paper board	1,838	4,432
Measuring taps and rods	-	14
Plastic material	-	214
Iron and steel welding rods	-	72
Printed matter	21	33
Typewriter ribbon and inkpad	65	121
Others	4,583	6,355
Total	58,558	55,538

Table 29

INVESTMENT PROGRAM FOR INDUSTRY
1969/70 - 1973/74

(In billions of rupiah)

<u>Industrial Sector</u>	<u>Develop- ment Budget</u>	<u>Other Sources</u>	<u>Total</u>	<u>Percen- tage</u>
1. Fertilizers, cement and chemicals	39.28	75.14	114.42	45.65
2. Textiles	29.73	11.86	41.59	16.59
3. Pulp, Paper and Newsprint	23.35	18.70	42.05	16.78
4. Pharmaceuticals	-	3.70	3.70	1.48
5. Light industry and cottage industry	7.50	17.50	25.00	9.97
6. Metal industry, machinery, communication equipment and infrastructure	10.30	13.60	23.90	9.53
<u>T o t a l</u>	<u>110.16</u>	<u>140.50</u>	<u>250.66</u>	<u>100.00</u>

SOURCE: The First Five-Year Development Plan (1969/70-1973/74), Volume 2B; Department of Information, Republic of Indonesia, page 10.

Table 30

ESTIMATE OF POTENTIAL OF INDIA'S EXPORTS

('000 \$)

Commodity	Actual		Potential
	1967-68	1968-69	for 1974
1. Textiles (Non-jute)	2,275	2,075	3,000
2. Jute textiles	3,175	921	1,170
3. Fish and fish products	-	101	130
4. Iron & Steel products	362	1,532	5,000
5. Electrical machinery and appliances	-	3	1,000
6. Non-electrical machinery	157	119	5,000
7. Machine tools	-	-	100
8. Diesel engines	-	22	50
9. Railway equipment	-	-	1,000
10. Motor vehicles & parts	-	60	700
11. Bicycles & parts	782	486	630
12. Rubber tyres and tubes	49	-	-
13. Small tools & hand tools	-	28	40
14. Medicines & pharmaceuticals	15	24	100
Sub-total (1-16)	6,817	5,371	17,980
15. Paper and paper board	245	591	2,000
16. Tobacco	-	499	-
17. Films	48	7	-
18. Shellac	68	25	-
19. Others	610	891	1,180
Total	7,782	7,386	21,100

Appendix 1THE SURVEY TEAMDirector-General

Shri S. Bhoothalingam

Project Director

Shri R.S.Sharma

ConsultantsIndian

Shri N.J. Kamath
Shri B.N. Khosla

Foreign

Dr. Morton C. Grossman
Mr. William H. Rusch

Economists

Shri S.R. Chawla
Dr. R.C. Gidadhubli
Shri N.R. Gopalakrishnan
Dr. P.C. Jain
Shri K. Kasturi
Shri V. Krishnamurthy

Shri P.K. Krishnaswamy
Shri P.L. Narayana
Shri R.K. Patil
Dr. T. Rameswara Rao
Shri T.R. Sehgal
Shri N. Venkataraman.

Appendix 2OUTLINE OF THE GENERAL EXPORT POLICY

The export commodities are to be classified into economic groups, i.e.:

I. Agricultural produce, consisting of

1. Living animals & products thereof.
2. Estate produce.
3. Smallholders' produce.
4. Forest produce.
5. Other agricultural produce.

II. Mineral Products.

III. See Products.

IV. Factory Products

The classification of commodities/agricultural produce for export is accentuated on the urgency of the marketing policy in relation to the following factors:

1. The part of foreign supply & demand.
2. The part of the domestic price development.
3. The condition of production.
4. The necessary economic incentives.

In the implementation of the export, with regard to these considerations, the commodities/agricultural produce are classified into two export groups:

- | | | | | |
|--------------------|------|----------|-------|------------|
| 1. <u>Group A:</u> | i) | Rubber | v) | Pepper |
| | ii) | Copra | vi) | Palmoil. |
| | iii) | Tobacco. | vii) | Palmkernel |
| | iv) | Coffee | viii) | Tin. |

(Contd....)

These are to so-called hard produce, i.e. produce with regular world price quotations of which the marketing policy is adjusted to technical conditions, which are a.o. :

- i) Country of destination.
- ii) Quota arrangement.
- iii) Price fixation.
- iv) System of sale & conditions.

2. Group B: These are commodities/agricultural produce, other than those named in group A, except gold and silver, either as ore or as pure metal.

Also called soft produce, which mean:

- i) There is a market or no market in foreign countries.
- ii) Irregular price quotation or no quotation at all.
- iii) Export proceeds 20% of the total export value, excl. petroleum & petroleum products.

A further stipulation in the export policy refers to certain commodities, of which the export should be adjusted to domestic requirements or be restricted.

1. Commodities needed to meet domestic requirements and maintenance:

- i) Agricultural produce, such as foodstuffs for the people, e.g., tapioca, maize, copra cake, rice bren, tapioca waste, copra, all kind of nuts, kapoc. This includes certain stuffs as cattle fodder.

(Contd.....)

Furthermore, cattle.

The Governor/Head of the Region in cooperation with regional agencies concerned, determine the annual export quota as well as the annual domestic consumption.

The system of individual allocation to exporters has been abolished.

With a purchase confirmation from a foreign buyer as evidence, c.q. a Letter of Credit, the exporter should directly contact a foreign exchange bank to fill in the necessary forms.

The local representative of the Dept. of Trade in cooperation with the local foreign exchange banks should control that the export quota fixed for the region shall not be overstepped.

The export of kapoc is handled by P.T. KAPOC as sole seller.

ii) Factory products including products of people's industry, plants, scrap iron, copper alloys, zinc cuttings and quinine salts.

iii) Products ex new mines.

iv) Wild animals.

With a letter of recommendation/permission issued by the local agency which superwise the production of the goods concerned; the exporter should contact a foreign exchange bank for the necessary formalities.

The export of quinine salts is handled by P.N. BHINNEKA KINA FARMA.

(Contd....)

2. Commodities subject to regulations of International Commodity Agreement, of which Indonesia is member.

- i) Coffee.
- ii) Tin.
- iii) Sugar.

Export ban. The export of gold & silver-ore or gold & silver as pure metal is banned as well as the export of low grade and crude rubber (RSS VI, Blankets D-off, stuffs for remillers and smokehouses) and chincona bark.

Quality of commodities.

1. Export commodities/agricultural produce should be upgraded domestically, so that the quality conforms to the standard quality as required and accepted in international markets.
2. Efforts are being made in order that the qualification of the export commodities/agricultural produce ex Indonesia can be determined by Indonesia herself being a producing country.
3. In her further efforts, Indonesia is trying to have a say in the formulation of standard contracts in international business. The final target to be reached is to convert the position of Indonesia commodity market from buyer's market to seller's market.
4. Commodities of non-standard quality and commodities of primitive appearance, forming stuffs to be upgraded further and processed to gain the standard quality, are not permitted for export.

(Contd....)

Examples thereof are slabs, lumps, earth rubber, unsmoked sheets, pepper unprocessed, etc.

5. Export commodities which are sold on content/substance basis as quinine salts, chincona bark, ethereal oil, bauxite, manganese, palmoil etc., should be accompanied by a Certificate of Analysis issued by an authorized laboratory.

Commodities of non-standard quality.

The export is permitted only to :

1. Waste, as odds and ends caused by sorting works.
2. Damaged goods, caused by force majeure.

The percentage of quality deviation is to be determined by the Customs, whereas the price is to be fixed by the Dept. of Trade.

Net FOB price

1. A checkprice is fixed for A-commodities and this price is supposed to be the delivery price or the net f.o.b. price, announced at the 1st of every month.
2. Claims if any, are settled by means of D.P. and in no case by deduction of the export proceeds.

(Contd...)

System of sale.

1. Payment of export in general is based on Documents Against Payment (D.P.) by means of an Irrevocable L.C.
2. In special cases, e.g., export on consignment basis or export in behalf of trade faires, only certain kind of commodities are considered by approval of the Minister of Trade.
3. A long term export contract may be concluded by Minister's approval on certain conditions, a.o. :
 - i) Seller should be producer exporter.
 - ii) Applicable to seasonal commodities only or commodities that used to be sold on long term contract.
 - iii) The exporter should be able to assure the implementation thereof by regular dispatch.
4. The export of tobacco is subject to a special regulation.

Countries of destination.

1. The export is directed to consuming countries.
2. Without neglecting the traditional markets, efforts should be made to gain new markets- a.o. in East European countries, Latin America, Africa and the Pacific.

(Contd....)

3. Export to certain countries is prohibited, i.e., South Africa, Rhodesia, Israel and the People's Republic of China.
4. Without neglecting the principle of export direct to consuming countries, the export to Singapore and Malaysia should be implemented by trying to make use of the facilities available in both countries.

Trade Promotion.

1. Within the framework of trade promotion, efforts should be made to convert the export of traditional agricultural produce into the export of forest produce, sea produce, handicrafts, industrial goods and minerals.
2. To convert the export of raw materials into semi-finished goods, even into finished goods.

A diversification in the export commodities is necessary, i.e. beside the export of agricultural produce, the export of new mineral products and industrial goods should be endeavoured.
3. To allow the export of commodities/produce on consignment basis in cases as :
 - i) New products necessary to be introduced in foreign markets.
 - ii) Products of which the markets are lost and need to be re-introduced in foreign markets.

(Contd.....)

4. To make research while considering the international market situation, the Indonesian offer capacity as well as the potency of the sources, relating to :
- i) The development of international consumption.
 - ii) The development of international production, especially pertaining to Indonesian export commodities, including substitution goods and synthetical goods.
 - iii) The development of international trade policy, in particular the establishment of common markets and the existence of tariff-walls, trade blocs and trade barriers.
 - iv) The development of domestic production in quantity as well as in quality and also the development of industrial products to meet domestic requirements.

EXPORT TARGET

1. Considering the trend of export commodities in international markets and also the possibly existing external and internal factors in the relating year, an "estimate price" can be concluded, i.e. a starting point from which an estimation of the export proceeds for the next year can be made.
2. Based on the availability of production figures for the export or export volume, the estimate price per unit or the international market price, the export target for the next year can be formulated in cooperation with other Departments concerned.

(Contd....)

3. In the export target as determined, the part of the region and the part of the commodity are included, i.e.

i) The export target as determined does not include the export ex free-port Sabang, West Irian region and the export of petroleum and products thereof.

ii) Part of the region.

For every Province, the export target is determined. Therefore, every Province is not only charged with a positive and active part, but is also charged with responsibility within the framework of national re-construction.

iii) Part of the commodity.

The fact that every commodity has its special property relating to the way of production, the region of production, the way of collecting and processing, the structure of domestic & foreign marketing, the export target is specified per commodity.

Appendix 3SUMMARY OF THE EXPORT & IMPORT PROCEDUREI. EXPORT

The export commodities are classified in two export groups :

1. A-group : i) Rubber. v) Pepper.
 ii) Copra. vi) Palmoil.
 iii) Tobacco. vii) Palmkernels.
 iv) Coffee. viii) Tin.

2. B-group : Comprising other commodities not listed in A-group, except gold & silver as pure metal.

Export proceeds.

Proceeds in foreign exchange originating from exports are dealt with as follows:

1. Referring to the proceeds of A-commodities, 85% of the net f.o.b. value is due to the exporter, 10% to the Regional Government from which port the export has been implemented, whereas the remaining 5% is due to the Central Government Foreign Exchange Fund.

2. Referring to the proceeds of B-commodities, 90% of the net f.o.b. value is due to the exporter and the remaining 10% to the regional Government.

The amount which is due to the exporter expressed in a certain percentage of the proceeds, i.e., 85% and 90% is called Bonus Export or for short B.E.

(Contd....)

However, the exporter is not entitled to retain the B.E., but it must be surrendered to the Government, c.q. Bank Indonesia to be sold "on Change".

The exporter receives the counter value in rupiah.

The percentage of 10% due to the Regional Government is called A.D.O. which stands for Allokasi Devisa Otomatis and means foreign exchange automatically allocated to the Regional Government to be spent for reconstruction purposes.

In case the Regional Government does not make use of the A.D.O. by herself, it must also be surrendered to the Government, c.q. Bank Indonesia in exchange for the rupiah counter value.

Free foreign exchange, also called D.P. : (devisa-pelengkap) is that kind of exchange that can be retained by those who have legally earned it, for instance when an exporter has managed to sell his commodities at a price higher than the checkprice as determined by the Dept. of Trade, the so-called overprice can be retained.

Besides, the D.P. has wider spending possibilities than the B.E. or A.D.O.

Payment to foreign countries that cannot be effected by B.E., the D.P. can settle it in most cases.

II. EXPORT PROCEDURE

A checkprice is determined by the Dept. of Trade on A-commodities. In order that the parties interested can be informed of this, the checkprice is announced through Radio Rep. Indonesia on the 1st of every month and is valid for one month.

(Contd....)

A change of the checkprice before the validity period of one month is over, is always possible and this change will be announced in due time.

No checkprice is determined on B-commodities. The export selling price is left to the exporter concerned.

To start the actual export, the exporter after having concluded a sale contract with a foreign buyer, should submit an Export Declaration to a Foreign Exchange Bank, stating all the particularities of the commodity to be exported.

The L/C may be opened before or after the submission of the Export Declaration, whereas the implementation thereof should be done at the end of the second month after the month of submission of the E.D., provided not contrary to the conditions stated in the L/C concerned.

In case the opening of the L/C is done earlier than the date of submission of the E.D., the export can only be implemented under the following conditions:

1. The export declaration should be submitted within 14 days as from the date of the L/C opening.
2. The net f.o.b. price per unit as stated in the L/C should be adjusted to the unit price stated in the Export Declaration in accordance with the obtaining checkprice, whereby the higher price quotation is decisive for the further implementation of the export.

(Contd....)

In case an Export Declaration has been submitted on a certain date, whereas the L/C opening is done one month later, the export can yet be implemented, on the condition that the unit price stated on both documents should be adjusted, whereby the higher checkprice is decisive.

It could happen that an export implementation cannot be completed or partly completed, whereas the time fixed for shipment, i.e., the month of submission of the Export Declaration extended with two months, is over.

In this case, an extension of maximum one whole month will be accorded on the following conditions :

1. Request for extension should be submitted within 14 days as from the expiry date of shipment, originally stated on the Export Declaration.
2. If the checkprice, valid on the first workday of the extension month is evidently higher than originally, the completion of the export will be based on this higher checkprice.

These provisions are relevant to A-commodities only, of which a checkprice is fixed by the competent authority.

IMPORT

Referring to Ministerial Decree No. 05/SK/I/68 dated January 1st, 1968, import goods are classified as follows:

(Contd....)

1. Goods stated in Annex I are divided into three groups: group A, group B and group C. distinguished from each other as to be resp. very essential, essential and less essential.
2. Goods stated in Annex II of which the import is banned.
3. Goods not mentioned in Annex I or II.

IMPORT SYSTEMS.

The Import can be financed by means of :

1. B.E. and/or A.D.O. originating from the export proceeds, whereby all goods stated in Annex I as a whole are allowed to be imported.
2. B.E. - credit granted by a creditor country, whereby only goods, is so-far not mentioned in the so-called negative list of the creditor country.

Furthermore, the import should be implemented ex-creditor country only, except otherwise stated.

3. D.P. (Devis Pelengkap) or Free Foreign Exchange, whereby all goods are allowed to be imported, except those goods stated in Annex II.

Besides, D.P. can be spent for many more purposes, a.o. transfers to settle private business.

(Contd....)

Dispatched goods is a system of import, whereby no L/C is required, but the payment should be done with D.P.

Similarly is the case of Passenger goods, which is subject to a special arrangement, whereby payments of Customs duties, if any, should be effected with D.P.

IMPORT PROCEDURE/B.E. - PURCHASE.

Proceeds of exports due to exporters should be surrendered to the Government, c.q. Bank Indonesia.

The exporter receives the counter value in rupijah, based on the rate of the last call "on Change" reduced with Rp. 0,20 per US \$ Bank Commission.

The foreign exchange banks should make all these B.E. available "on Change" to be sold through call system, held on every Monday, Wednesday and Friday.

In order to obtain the necessary B.E., an importer should submit an application for the purchase of B.E. through a foreign exchange bank, in which the applicant clearly states the amount and the rate he is willing to pay.

At the same time, the L/C-application should also be submitted.

In case the applicant/importer has managed to obtain the required B.E., the bank should inform him immediately of this and the L/C concerned should be opened within ten days thereafter.

If the importer fails to do so, the B.E. gets expired and should be re-sold to the bank at a rate lower than the purchase rate.

(Contd....)

A.D.O. which is not effected for import/transfer purposes, should also be surrendered to a bank to be put "on Change".

Foreign credits are integrated in the B.E. supply and be put on Change, so that it is finally of the same character as the general B.E.

.-.-.-.

Annexe ILIST OF VERY ESSENTIAL GOODS
(Group 'A')

Rice.

Flour.

Yeast.

Asphalt.

Natural and Synthetic alkaloids.

Serums and all medicines recommended by the Ministry of Health.

Milk Powder.

Insecticides.

Fertilizers, Packed or loose.

Newsprint in reels or in sheets.

Text books recommended by the Ministry of Education.

Raw Cotton

Cotton yarn whether or not on caps, combs, bobbins, etc.

Fabrics unbleached, bleached, dyed, woven in colours printed, etc.

Blue cambrics.

Cotton shirting, bleached and unbleached

Famie fibre, jute, manila lemp.

Jute rope.

Jute fabrics.

Annexe I (Contd...)

Gunny sacks.

Agricultural implements.

Machines for preparing agricultural products in the market such as threshing machines, machines for cleaning apok, etc.

Apparatus and instruments for rice mill factory.

Rice hullers & Maize shellers.

Machines and Looms for weaving.

Plant sprayers.

A SELECTED LIST OF ESSENTIAL GOODS
(Group 'B')

Milk powder.

Opium for medicinal purposes.

Animal and vegetable waxes.

Gypsum.

Virginia Tobacco.

Tile and Soapstones.

Portland, pozzelana and slag cements.

Fuller's earth of all kinds and ores.

Coal, raw and coke of all kinds.

Machine oils.

Carbolic Acid, creasote oil and other similar products derived from coal-tar used as disinfectants.

Annexe I (Contd,...)

Mineral wax and greases.

Sulphur not packed.

Bromine, Iodine, Potassium, Sodium, etc.

Hydrogen, Oxygen, Chlorine and other gasses compressed or in liquid form (except Ammonia).

Calcium Carbide for lighting purposes.

Salt.

Calcium Chloride Raw.

Glycerine.

Ammonium Chloride.

Saccharine and other sweetening materials.

Acetone oil.

Wood Tar.

Methenonal as well as Butyl and propyl alcohols.

Simple and compound ethers.

Celluloid, Cellophane Bakelit and the like, raw or in broken sheets.

Vitamin Oil in capsuls, liver preparations.

Printing ink.

Teletype ribbons.

Paints.

Prepared glue and gum.

Transmission and conveyer belts (rubber)

Annexe I (Contd....)

Paper pulp.

Paper and paper board.

Packing paper.

Special paper for coupons, checks, etc.

Bank note paper imported by/for Government.

Spinning mills spindles.

Silk cocoons.

Silk thread.

Weaving yarn.

Sewing yarn.

Fabrics of cotton (Textiles bleached and unbleached).

Cotton tapes.

Flex yarn.

Cotton tope and codage.

Fishing nets.

Yarn for sutures.

Liquid steam and gas hoses.

Mica and Micanite in sheets or plates.

Asbestos ware.

All kinds of fire proof bricks.

Glasses, Cylinders, etc.

Lamps for light house.

Vacuum glasses.

Annexe I (Contd....)

Glass apparatus, crucibles, etc.

Pig iron.

Iron in bars, plates or sheets.

Iron Wire.

Rails.

Fish Plates, wedges, clips, sole plates, sleepers, etc.

Pipes and Tubes.

Accessories for the tubes.

Bridges and wharves and parts thereof.

Iron framework for structures, hangers or warehouses, Gates, slides, valves and the like for logs and dams.

Carbonic acid bottle, Oxygen bottle and other iron.

Nut, screw-bolts, rivets, etc.

Ball and roller bearings.

Agricultural implements.

Small tools.

Fish hooks.

Aluminium in blocks, bars, ingots, etc.

Aluminium wire.

Steam engines and turbines and all other power generating machines.

Automobiles and motorcycle engines.

Annex I (Contd....)

Parts and components of the engines.

Pumps and other devices for raising water etc.

Centrifugal ventilators.

Grinding machines.

Typewriters and typewriter parts.

Laundry machine.

Electrical apparatus and instruments.

Electrical Signalling instruments.

Jeeps in C.K.D. conditions.

Tractors and similar traction mechanism built up or C.K.D. conditions.

Forklift and forklift trucks.

Accessories and equipment for automobiles.

Bicycles and parts.

Dredgers, cranes, derricks, etc.

Surgical instruments.

Orthopaedic appliances.

Gas and Electrical meters.

Clinical thermometers.

Mathematical instruments and drawing apparatus.

Cameras.

Celluloid and other plastic materials.

Annexe I (Contd....)A LIST OF SELECTED COMMODITIES
(Group 'C')

Cloves.

Barley malt.

Unexposed cinematograph films

Synthetic perfumes.

Tyres for cycles.

Cigarette paper.

Sheet glass.

Fire arms and ammunitions.

Fabrics of cotton/artificial silk/rayon for
dressing materials.

Annexe IILIST OF BANNED ITEMS

1. Sedans exceeding U.S. dollar 2,000.
2. T.V. Sets of more than 21" size.
3. Radios/Pick up in Consoles.
4. Textile in Batik designs.

Appendix 4CUSTOMS LEVIES

The Customs levies consist of :

1. Customs duties;
2. Additional duties and
3. Extra levies. (surplus profit).

1. Customs duties: Calculated by multiplying the tariff percentage of the goods concerned by the total value of the goods, either the C & F or the C.I.F. value depending on the conditions stated in the Letter of Credit, whereafter to be converted into Rupijah - value at a certain rate, the so-called Basic Duty Value.

This Basic Duty Value is changeable every month, but it stays in the vicinity of Rp. 325, - per US \$.

2. Additional Customs Duties: The relevant percentage multiplied by the total Customs Duties.
3. Extra levies: (if any). Expressed in Rupijah per US \$, based on the C & F or C.I.F. - value.

Example:

A certain lot of import goods with following data:

Customs Duty	30%
Additional Customs Duty	50%
Extra levy Rp 25, - per US \$.	
Total value	US \$ 1000, -
Basic Duty Value Rp 320, - per US \$.	

Calculation:

Customs Duties	30% x 1000 x Rp 320,-	=Rp 96.000,-
Add. Customs Duties	50% x Rp 96.000,-	=Rp 48.000,-
Customs Duties + Add. Duties		=Rp 144.000,-
Extra levy 1000 x Rp 25		=Rp 25.000,-
Total Customs levies		=Rp 169.000,-

No prepayment of Customs levies is required.

Miscellaneous notes:

All goods to be imported must be brand new. The import of goods in a state of used, rebuilt or re-conditioned is banned, except imported as dispatched goods.

The import of books, magazines and all kind of printed matter, is banned. However, an exception is made for certain kind of books which requires a joint permit from the Minister of Trade and the Minister of Education and the Minister of Industry.

A few articles are qualified as special articles and the import thereof requires a special arrangement, i.e.

Fertilizers & insecticides.

The import takes place through Government planning and programming, c.q. The Department of Agriculture and Department of Trade.

Yarns and raw cotton.

The import takes place through PL-480 ex USA, whereas a small quantity is left free on commercial basis. Also applicable to the import of Virginia Tobacco.

Commercial cars.

This includes only trucks and buses, permitted to be imported in C.K.D. condition.

Advice issued by the Department of Industry is required, whereas the import should be implemented by the sole-agent.

Passenger cars are allowed to be imported in built-up condition through the sole-agent.

Wheat flour is imported through PL-480, Canada Grant, Australia Grant and on Credit, all arranged by the Government.

Sugar is imported incidentally and arranged by the Government.

Import by Means of Free Foreign Exchange (D.P.)

All foreign exchange, which according to the existing regulation, is obtained from exports or services and which need not be surrendered to the Government, is allowed to be retained in Indonesia by the owner.

This kind of foreign exchange should be administered by a foreign exchange bank as D.P. - account.

D.P. owner may open a D.P. - account with a foreign exchange bank through:

1. Direct transfer of foreign exchange from foreign countries.
2. Payment with cheques, traveller's cheques, drafts or other stocks.

3. Transfer from another D.P.-account.
4. Payment with banknotes.

Transfer of D.P. (No BLLD permit is required).

D.P. may be transferred to :

1. Foreign Exchange Banks.
2. Authorized money changers.
3. Other buyers to be spent for financing imports or services conform the existing regulation.

All transfers of D.P. c.q. D.P. - transactions should be implemented through a Foreign Exchange Bank or through an authorized money changer and no BLLD - permit is required.

Imports by Means of Free Foreign Exchange (D.P.)

1. Free foreign exchange of which the spending is not contained in some Government regulation and which is therefore not administered by a Foreign Exchange Bank in Indonesia, may be spent to finance imports.

The procedure to be followed is by submitting "a statement of import" to a Foreign Exchange Bank. The statement is called "import certificate" after approval.

2. Exceptions to this rule are applied in cases as:

- i) Imports within the framework of Foreign Capital Investment and Domestic Capital Investment.

- ii) Imports in behalf of Foreign Representatives and Foreign Experts, employed under Government contract.
- iii) Imports subject to Rechten Ordonantie S. 1931 No. 471.
- iv) Imports originating as gifts/aids from foreign countries.

3. No statement of import or import certificate is required to passenger goods with a value of less than US \$ 300, - f.o.b. per trip.

4. No import certificate is required for imports by means of free foreign exchange of which the spending is regulated in Government Decree No. 7, 1965. (Note: the so-called D.P.). The usual procedure is applicable.

5. Administration fees will be collected by the Foreign Exchange Banks for the administration of the import statement/import certificate and the amount will be fixed by the Governor of the Central Bank with the concurrence of the Minister of Finance.

Appendix 5REGULATION ON PASSENGER GOODS & DISPATCHED
GOODS

This regulation refers to:

1. Passenger goods and dispatched goods regardless the quantity.

Any kind of goods is allowed, in so far:

- i) the import into Indonesia is not banned conform the existing regulation;
- ii) the financing thereof is not chargeable to the Foreign Exchange Fund or
- iii) any other foreign exchange of which the spending is contained in some Government regulation.

2. Passenger goods are those goods carried by a passenger by ship or plane in one trip and announced that the goods have arrived or will arrive in behalf of the passenger within the period of three months before or after the passenger's arrival.

3. Dispatched goods are goods, other than discribed in sub. 2, but so far relevant to sub. 1.

4. Passenger goods or dispatched goods are qualified as merchandise in case the kind and quantity of the goods do not give clear expression as to be intended for personal use by the passenger/ addressee concerned.

In dubious cases, decision will be given by the Minister of Finance.

5. Passenger goods which are evidently no merchandise, carried in one trip and arrived at a time with the passenger, will be dealt with as follows:
- i) If the total value does not exceed US \$ 25, - per passenger with a maximum of US \$ 100, - f.o.b. per family, the goods are exempted from Customs duties.
 - ii) If the total value does exceed the amounts mentioned in sub 5 (i) above, Customs duties should be paid in full for the total value of the goods, i.e.

C.I.F. - value x Basic duty rate. (=in the vicinity of Rp 325 per US \$).-
6. Passenger goods other than stated in sub 5 are dealt with conform sub 5 (ii), -
7. The Minister of Finance is competent to give full or partial exemption from Customs duties to special cases:
- i) Imports relating to projects in Indonesia by foreign contractors, so-far not contrary to article 23 Rechten Ordonnantie. (S. 1931 No. 471).
 - ii) Imports for replacement and/or repair purposes.
 - iii) Import in behalf of charity, religious, cultural and social institutions, so-far not contrary to Presidential Decree No. 133, 1953.

8. Dispatched goods, clearly qualified as non-commercial article, arrived once per mail, ship or plane in behalf of one addressee,
 - i) are exempted from Customs duties if the total value does not exceed US \$ 10, - f.o.b.
 - ii) with a total value exceeding US \$ 10, -f.o.b., will be dealt with conform sub 5(ii).

9. Passenger goods or dispatched goods, of which a part is evidently qualified as non-commercial whereas the remaining part as commercial as referred to in sub 4,

the two parts of articles are dealt with separately, on the understanding that the ultimate value as referred to in sub 5 and sub 8 needed for the calculation of the Customs levies,

is considered as the total value of the whole lot.

10. In addition to Customs duties, other levies, if any, should also be paid on passenger goods and dispatched goods, conform the existing regulations.

11. Goods arrived by mail, ship or plane of which the forwarding charges have been prepaid, this amount will be considered as the freight rate.

Appendix 6CREDIT AGREEMENT BETWEEN INDONESIA & INDIA, 1966

I. Based on the Decree of the Cabinet Presidium No.50/EK/KEP/10/1966, concerning the Credit Agreement between the Government of Indonesia and the Government of India, dated September 22, 1966, as well as the Joint Announcement of the Minister of Commerce and the Governor of the State Bank of Indonesia, dated October 24, 1966, it is reported as follows:

1. On November 15, 1966, sales are to begin on Indian Credit B.E. (Export Bonus) amounting to Rs.100 million (Rate: \$ 1 = Rs. 7.50),
2. Ways of sales are to be reported through a separate announcement;
3. Temporarily sales are to be conducted solely by B.N.I. (State Bank of Indonesia), Unit I, at Djl. Pintu Besar Utara 3, Djakarta Kota;
4. Every Operational Body in possession of identification number as importer may participate in Indian Credit B.E. sales.

5. Goods, imported on the basis of Indian Credit B.E., may be brought in via all ports in Indonesia, except the Free Port of Sabang and ports in West Irian, and are free from inspection and control in whatever form.

II. Use of Indian Credit B.E.

1. Indian Credit B.E. may be expended exclusively to import goods from India and encompasses only types of goods as in attached list already approved by the Department of Commerce;
2. The validity period of Indian Credit B.E. is one calendar month (30 days), effective as of the date of the relevant issuance;
3. Owners of Indian Credit B.E. temporarily may present their P.I.'s (Import Declaration) only to B.N.I., Unit I, in Djakarta accompanied with the purchase contracts concluded with Indian supplier/parties;

4. The bank, at the request of the interested party, is vested with the authority to extend the validity period of the L/C, with the understanding that the relevant import goods should have been shipped within 6 months after the approval of the P.I. by the Bank. To extend the L/C, beyond the six months referred to, it is necessary to obtain the approval of the Department of +Commerce;
5. After the opening of the L/C, changes in the type of goods are not allowed;
6. Filing as well as presentation of the K.P.P. (Customs Entry Certificate) is similar to that of import through SIDI (Import Foreign Exchange Permit), except that to the relevant K.P.P. should be clearly inserted 'Import Based on Indian Credit-Export Bonus';
7. Indian Credit B.E. which at the expiration of the validity period has not been expended should be immediately returned by the Bank to the Foreign Exchange Fund in the name of the owners concerned.

The counter rupiah value is based on the purchase rate of the relevant Indian Credit B.E. and the customs duty advance is to be re-imbursed to the owners concerned;

8. The Indian Credit B.E. is free to be transferred. The Indian Credit B.E. constitutes a valuable paper in which case its loss/destruction is not subject to any replacement and so the owners are fully responsible for it.

III. It is necessary to stress that B.E. originating from export may still be expended in all countries, including India.

List of goods which shall be imported by export bonus credit from India:

- A.
1. Aluminium sheets
 2. Irrigation pumps
 3. Insecticide, Fungicide
 4. Jute products (Jute sacking, twine)
 5. Iron and steel products (mostly structurals)
 6. Bicycle spare parts
 7. Cigarette paper
 8. Spare parts for oil mills
 9. Chemicals
 10. Paper (writing paper and craft paper)
 11. Cotton yarn (12 count, 20 count)
 12. Cambrics
 13. Dye-stuff
 14. Cotton textile
 - grey shirting, grey poplin, white shirting, dyed shirting, printed shirting, white poplin, dyed poplin, printed poplin, white drill, dyed drill

15. Pharmaceuticals and pharmaceutical raw materials.
16. Components, spare parts, accessories, for trucks and buses.

B. The specification of kinds of goods stated above except irrigation pumps, should be in accordance with the said B.E. list referred to in Appendix of Decree of the Dwikora Cabinet (No.Aa/D/31/66, dated February 26, 1966).

Appendix 7NEW POLICIES AFFECTING EXPORTS, IMPORTS
AND FOREIGN CURRENCY RATESExports

Abolition of differences of export goods of A and B groups and substitution with groups of goods allowed for export and not allowed for export.

Abolition of Export Bonus and Supplementary foreign exchange so overprices were also wiped out. In this new system, exporters were obliged to sell their foreign exchange, yielded by their exports, to Bank Indonesia.

Abolition of the 5% collections, so exporters now obtained 90% from their exports.

Substitution of ADO with a contribution of 10% yielded by exports to the government.

Export of handicrafts and ready-made goods were freed from this 10% collection, so exporters obtained 100% of the export yields.

Simplification of procedure, reduction in number of forms used and the inclusion of all documents in the E3 form which now forms key document in exports trade and reduction in the number of E3 forms from 12 to six (6) copies.

Reduction of bank charges from $2\frac{1}{2}\%$ to an "all in" single charge of 0.5%.

Imports

All imports must be carried out by the opening of an L/C by the importers themselves who possessed an import licence and fiscal documents.

Import of trade parcels were limited to a maximum sum of US\$ 100; larger sums must be carried out by opening an L/C.

Reduction of bank charges which used to be around 3% from the C. & F. value to a single charge "all in" of 0.5%.

Abolition of Equalisation Fund payment, BLLD fee, contribution for Customs Administration and invoice levies.

Simplification of import procedure with the abolition of Import Declaration (Pernyataan Impor).

Invoice as a main document of import has to be made sixfold instead of 12.

Monetary

Abolition of differences between BE (Export Bonus) and DP (Supplementary Exchange) currencies. Only general foreign exchange and credit foreign exchange (usually called credit BE) are to be known.

The general rate is decided by supply and demand, while the rate for credit foreign exchange was fixed at Rp 326 per one US\$. Bank Indonesia bought all general foreign exchange at the first call on the 17th April, 1970 at a rate of Rp. 378 per one US\$.

All provisions and regulations issued by BLLD are no longer valid.

Source: Extracts from News From Indonesia, No.763, May 8, 1970. Information Service, Embassy of The Republic of Indonesia in India, New Delhi. pp. 5-6.

Appendix 8LIST OF GOVERNMENT OFFICES/PERSONS CONTACTED DURING
THE FIELD VISITOffices

The Chief of the Division of
International Trade.
The Director of Trade
Planning Organisation (Bappenas)

International Bank for Reconstruction
and Development, Djakarta Office.

The Association of Indonesian Importers.

The Editor, Warta C.A.F.I.

The Editor, Business World.

Importers/Commission Agents

B.V. Indonesian, Service Coy,
2, Djalan Lodan, Djakarta-Kota

Jeeps and trucks

P.T. Garuda Diesel
160-Kramat Raya, Djakarta

Air Compressors, Marine
Engines, tractors, Auto-
mobile, parts, etc.

Muller and Phipps (Indonesia
Ltd.) Djl. Jr. H. Djeranda
111/1-A, Djakarta

Automobile parts and
accessories, hand and
power tools, medical,
optical and surgical
instruments.

P.N. "Pantja Niaga, 94/96,
Kramat Raya, Djakarta.

Textiles, Dye-stuffs,
steel products, building
materials, machinery,
tools, etc.

(contd.....)

P.T. Badjak Industrial and Trading Co., Djalan Garuda No. 78, Djakarta.

Diesel Engines, Electric Ranges, spare parts etc.

N.V. Golden City, Textile Industry Ltd., (Representative in Djakarta; Djalan Salemba 1/16, Djakarta)

Cotton Yarn, staple fibre, textile machinery, spare parts, etc.

P.T. Banggai Raya Trading Coy. Djalan Bank No.6, Djakarta

Textiles, automobiles, etc.

"Marison" H.V. 18-A, Djalan Kopi Djakarta-Kota

Textiles, gunny bags, chemicals, building materials, etc.

N.V. Tungke, Trading Coy. Ltd., Djalan Kramat Pulo Dalam Dua, No. F4 & F5 Djakarta

Textiles, Ironware, building materials, tyres and tubes, etc.

N.V. "ASAMAN" Trading Coy Ltd. 11, Pasar Pagi, Djakarta.

Textiles

Mr. H.M. Mahtani 36-A, (Atlas) Pintu, Ketjil Djakarta - Kota

Commission agent for textiles and other general products.

M/s Toko Manis, 8 Pasar Baru Djakarta

Textiles, biscuits and general.

P.T. Masayu & Co. Djalan Sudirman, Djakarta

Machinery, Motor trucks, diesel engines, etc.

Mr. Pritam Singh, Djl. Antara 17, Djakarta

Commission Agent.

C.V. Trinaga, 37, Pantjoran, (2nd Floor) Djakarta.

Paper, bicycle spare parts, iron & steel products, etc.

Mr. K.G. Melwani No.26, Pasar Baru, P.O.Box No. 2148, Djakarta.

Indentors- importers of machinery, general products, stationery goods etc.

Appendix 91/
LIST OF IMPORTANT IMPORTERS/COMMISSION AGENTS -
INDONESIA

<u>Name & Address</u>	<u>Importing</u>
P.N. Permata UUSANTARA, 22, Djalan, Nusantara, Djakarta	Business machines, Printing Machines and spare parts, Papers, chemicals and sports goods.
M. Ganie P.T., 27, Djl. Kalibesar Timur - Djakarta Kota.	Equipment for Plantations, Industry, agriculture and oilfield.
Nirwana N.V., 40, Djl.Kopi-Djakarta	Textiles, Chemicals, Tech- nical goods, automobile tyres, electrical appliances, etc.
P.T. Nilakandi, 85, FE, Pedjagalan, Djakarta.	Metal & Technical Wares.
"NAKAU" (N.V.P.P. NAKAU) 11-A, Djl. Assemka, Djakarta	Textiles, stationery Paper- ware, etc.
H.M. Ali P.T. (Ltd.) 12-B, Djalan Gadjah Mada Djakarta	Machinery, Building mate- rial, etc.
P.T. "Gita Kentjana" 51, Djl. Pintu Air, Djakarta	Textile and General Mer- chandise.
P.N. Dharma Niaga Djalan Abdul Moeis, Djakarta (Telex 292)	Machinery, Textiles, Diesel, Engines, Fork Lift, Gene- rating sets, etc.
P.T. Dharma Pala. Trade Coy, III, Djalan Djakarta	General

1/ It is in addition to the list given in Appendix 8.

Appendix 9 (Contd...)

P.T. Johs.Larsen, & Co., (Indonesia) Ltd., Djalan Kunir, 5, Djakarta, Kota	Chemicals, Hardware, Iron & Steel, Machinery & Equip. etc.
Masurni, (Perusahaan Dagang Swasta Nasional) 53, Dajalan Batangbari, Djambi.	Technical articles, Textiles, Automobiles, Spare parts, Building materials, etc.
M.V. Metro Trading Coy. Depaten Baru 25, Djakarta	Textile, Pharmaceutical, Handicrafts, etc.
National Motors Co., N.V. P.B. 2484, Djakarta.	Bus Chassies, Electric items, diesel engines, auto- mobile spare parts, etc.
Connel Bros. Co. Ltd., Branch Djakarta, Djl. Antara 43.	Chemicals, Pharmaceuticals, Power Plants Electrical Equipt., etc.
M. Ezekiel & Sons, Djl. Nusantara, 35-A, Djakarta	Optical Goods, Photographic articles, etc.
P.T. "Techindra" 1F Djalan Hajam, Wuruk Djakarta.	Sugar mill machinery, power plants, Railway material, etc.
P.T. Dara Mega, P.B.No.2610, Djakarta	Motion picture.
P.T. Grace Partnership Ltd. 199, Djalan Gadjah Mada, Djakarta	Pharmaceuticals, Chemicals, cotton yarn, etc.
Insel N.V., 85, Djalan Pedjagalan, Djakarta - Kota	Textiles and paper.
Countinbo, Caro & Co. Djalan Tana Abang Barat, 40-A, Djakarta	Iron and Steel items, power cables, Machine tools, etc.
M/s Ataka, Djalan Nusantara, Djakarta -12.	Textiles and other general merchandise.
Mr. M.V. Vasvani 13, Pasar Baru, Djakarta	Textiles and General goods.

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